

**ROCKVILLE HOUSING ENTERPRISES
BOARD OF COMMISSIONERS MEETING
REGULAR MEETING**

**Rockville Housing Enterprises – Administrative Offices
621 A Southlawn Ln.
ROCKVILLE, MARYLAND 20850**

Wednesday, May 25, 2016

Agenda

- 6:30 p.m. 1. Consent Items: (T-1)**
- 7:15 p.m. 3. Citizens Forum:**
- 7:25 p.m. 4. Information Exchange:**
 Executive Director's Report (T-2)
 Finance Reports (T-3)
 • **Asset Management (T-4)**
 • **HCV Report (T-5)**
 • **Fireside Park Report (T-6)**
- 7:50 p.m. 5. City of Rockville Report -**
- 8:00 p.m. 6. Action & Discussion Items: (T-7)**
 • **Fireside Audit Review**
 • **Fireside Recapitalization Forecast**
 • **RHE Audit Review**
 • **Annual Plan**
 • **HUD Board Member Training Materials Review –
 Session 2**
- 10:00 p.m. 7. Commissioners Comments:**
- 9:30 p.m. 8. Adjourn**

1. Individuals needing special accommodations to fully participate in this meeting, call the RHE office (301) 424-6265
2. This Agenda is subject to change without notice.
3. Times are approximate and may vary depending on length of discussion.
4. Public participation is permitted on Agenda Items in the same manner as if the Agency were holding a legislative-type Public Hearing.

TAB 1

**Rockville Housing Enterprises
Board of Commissioners Meeting
April 27, 2016**

The Board of Commissioners for Rockville Housing Enterprises met in Regular Session on April 27, 2016 at the David Scull Community Center, 1201 First St, Rockville, MD 20850.

PRESENT

Chair Rae Canizares
Vice Chairman Edward Duffy
Commissioner Teresa Defino

IN ATTENDANCE

Ms. Jessica, Anderson Executive Director
Ms. Meta Lim, Manager of Assisted Housing Operations
Ms. Stephanie Bonilla, Board Clerk
Mayor Bridget Donnell Newton, City of Rockville
Councilmember Mark Pierzchala, City of Rockville
Ms. Asmara Habte, Chief of Housing
Ms. Cooper, City Citizen

6:35 PM CALL TO ORDER:

Chair Rae Canizares called the meeting of Rockville Housing Enterprises to order.

6:35 PM CONSENT ITEMS:

Vice Chairman Duffy noted the approval of March meeting minutes must be deferred so quorum is met.

6:37 PM CITIZEN'S FORUM:

All attendees introduced themselves. Chair Canizares welcomed the new board member Ms. Teresa Defino.

6:38 PM INFORMATION EXCHANGE:

Executive Director's Report

Meetings/Activities

- Participated in the monthly Fireside Park Owner's meeting with Humphrey Management on March 23, 2016.
- Auditors were on site the week of March 7, 2016 through March 11, 2016.
- RELP One – Tax Credit Investor AEGON conducted an on-site unit and file review on March 25, 2016.
- Family Self Sufficiency (FSS) Regional Round Table meeting held on March 11, 2016, at the Alexandria Housing Authority.

- Latino Health Forum, held on March 23, 2016 – Ms. Dyson, RHE FSS Coordinator participated on a panel with other community agencies to talk about the various programs that are available.
- March 26, 2016, the Annual Easter Egg Roll was held at the David Scull Community Center.

Asset Management

- PH Occupancy is 96%
- RELP One. Occupancy is 100%
- RHEP Occupancy is 75%
- Fireside Occupancy is 92.37%

Housing Choice Voucher Program (HCVP) Management

- HCV Program voucher units leased for the month ending March 2016 was 106.1% and calendar year to date in March 2016 was 105.7%. HCV Program budget utilization for the month ending March was 107.7% and calendar year to date in March was 108.4%.
- The 50 unit Mainstream Disabled Voucher program is 100% leased.
- The 5 unit Moderate Rehabilitation Single Room Occupancy (SRO) program is 100% leased.

Family Self Sufficiency (FSS)

- The Resident Opportunities Service (ROSS) job announcement was posted internally.
- FSS Grant Application was submitted.
- Public Housing
 - 25- Active participants
 - 20- Working families
- Housing Choice Voucher
 - 45 – Active participants
 - 31- Working families
 - 2- Business Owners

Community Activities

- Community Forklift's 7th Annual Garden Party
- Community Forklift, a project of Sustainable Community Initiatives is a nonprofit reuse center for home improvement supplies.
- Parent Encouragement Project (PEB)
- FREE workshop: Why Don't My Kids Listen to Me?
- Montgomery College Training to Employment Information Session
- RHE Annual Easter Egg Hunt

- The event was a success, we had over 80 kids and families participate. Kids participated in the Easter Egg Hunt, Egg Toss, and received prizes. This was in collaboration with Montgomery County Police Dept.
- “I am Beautiful, And So Are you”
 - Miss Teen Annapolis gave a motivational speech that stressed the importance of self-esteem, confidence and loving yourself.

7:03PM CITY OF ROCKVILLE REPORT:

Asmara Habte shared the first Comprehensive Plan meeting had a great turn out and received great community feedback. The next meeting will be held May 10, 2016.

7:04PM ACTION AND DISCUSSION ITEMS:

Board Training material review and Fireside Refinance Plan review was deferred so that all board members may be present.

7:05PM COMMISSIONERS COMMENTS:

Vice Chairman Duffy asked visiting Citizen Ms. Cooper about herself and of her interest in RHE Board. Ms. Cooper stated her background is in pediatric medicine and drug development. Ms. Cooper is interested in the RHE board because her daughter is an HCV recipient, and would like to learn more about the HCV program.

The new board member Teresa Defino shared her background and what motivated her to join the RHE board. Commissioner Defino shared she is a journalist currently focused on healthcare policies. Commissioner Defino stated housing is very important, without housing it is very difficult to have a successful future. The City of Rockville is very lucky to have a housing authority and she would like to see it perform optimally to serve those in need.

7:20 PM MEETING ADJOURNED:

Commissioner Ed Duffy motioned to adjourn the meeting. All present Voted aye.

Tab 2

**Rockville Housing Enterprises
Executive Director's Report
As of May 16, 2016**

Activities during the month of April 2016

Meetings/Activities

- Participated in the monthly Fireside Park Owner's meeting with Humphrey Management on April 19, 2016.
- Meeting with HUD Headquarters representative and County Insurance fund manager to discuss HUD Insurance requirements on April 5, 2016.
- Meet with City of Rockville Department of Public Works to discuss the installation of a sidewalk at Fireside Park Apartments on April 7, 2016.
- Attended the Rockville 2040 meeting on April 19, 2016.
- FSS Coordinator Tosha Dyson spoke at the Holy Cross teen mother forum – April 16, 2016.

Personnel Matters

- None to report for the month of April.

Financial Management

- The final audit for Rockville Housing Enterprises and RHE Fireside Park Inc. was received May 6, 2016.

Asset Management (See TAB 4 and TAB 6 of Board Report)

- PH Occupancy is 94% (105 units)
 - Pulled families from the Public Housing Waiting List
 - 3 move ins pending; 1 occupied
- RELP One. Occupancy is 98% (56 units)
 - 1 move in scheduled for May
- RHEP Occupancy is 75% (4 units, 1 vacant)
 - 1 move in completed in May
- Fireside Occupancy is 92.8% (236 units)

Housing Choice Voucher Program (HCVP) Management

- HCV Program voucher units leased for the month ending April 2016 was 105.57% and calendar year to date in April 2016 was 105.71%. HCV Program budget utilization for the month ending April was 99.5% and calendar year to date in April was 106.08%.
- The 50 unit Mainstream Disabled Voucher program for which funds are allocated dollar for dollar based on utilization is 96% leased.
- The 5 unit Moderate Rehabilitation Single Room Occupancy (SRO) program for which funds are allocated dollar for dollar based on utilization is 100% leased.

Fireside Park

- Occupancy at Fireside Park for the month ending April was 92.8%.

- Recapitalization planning is underway to refinance the asset.
- Interest Payments were made to the City of Rockville and Montgomery County.
- PILOT request for FY2017 was submitted to the City of Rockville and Montgomery County.
- Annual Report for Fireside was submitted to the City of Rockville.

Family Self Sufficiency (FSS)

- The Resident Opportunities Service (ROSS) job announcement was posted externally.

FSS PROGRAM- Public Housing

- 31 - Active participants
- 26 - Working families
- 2 - New Employment
- 2 - Promotions

FSS PROGRAM- HCV

- 45 – Active participants
- 34- Working families
- 2- New Employment

Meetings, Webinars, Community Activities:

- | | |
|----------------------------------|--|
| • April 4, 9, 16, 23, 30, 2016 - | Celestial Manna |
| • April 5, 2016 - | PH Pull Up |
| • April 6, 2016 - | Caregiver's Meeting & Homework Club |
| • April 7, 2016 - | Youth Mentor Group David Scull |
| • April 8, 15, 22, 29, 2016 - | Nourish Now |
| • April 13, 2016 - | Spelling Bee at David Scull |
| • April 20, 2016 - | Bernie Scholarship Meeting |
| • April 20, 2016 - | Homework Club |
| • April 21, 2016 - | Youth Mentor Group David Scull |
| • April 27, 2016 - | Mother's Day Activity and Preparation |
| • April 28, 2016 - | Youth Mentor Group – Mother's Day Activity |

Partnership Development

- Wealthy Financial Services - Potential Financial Literacy

- Julies Love; a 501c3, focused to help felons with re-entering the workforce, employment opportunities and training.
- “Talk with A Teen Tea”- This program provides professional women in different careers opportunities to talk with at risk teenage mothers to inspire and motivate them.

TAB 3

Public Housing
Financial Report
Month ending April 2016

RHE - PUBLIC HOUSING
Admin Cash Flow
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
1111.01	RENTAL RECEIPTS	40942.59	322733.81
2500.13	FSS GRANT - 2013	\$ 5,000.00	\$ 33,800.00
3120.00	EXCESS UTILITIES	1,417.12	12,440.59
3610.00	INTEREST REVENUE - INVESTMENTS	0.00	3.74
3690.00	OTHER INCOME	1,838.88	6,897.15
3690.01	LATE CHARGES	554.44	4,282.49
3690.09	PROPERTY MGMT FEE	6,358.67	44,767.20
3690.10	MAINTENANCE FEES	1,033.35	7,408.22
3690.16	CAPITAL FUND OPER-2015	13,515.00	68,515.00
8020.00	OPERATING SUBSIDY	36,000.00	262,207.00
	Total Revenues	106,660.05	763,055.20
	Gross Profit	106,660.05	763,055.20
Expenses			
4110.00	ADMINISTRATIVE SALARIES	21,871.73	180,259.99
4110.03	MERIT AWARD	0.00	250.00
4130.00	LEGAL EXPENSE	2,137.00	13,541.66
4140.00	STAFF TRAINING	0.00	5,873.60
4150.00	TRAVEL	0.00	803.46
4162.00	SCHOLARSHIP CONTRIBUTION	0.00	250.00
4167.00	OTHER CONSULTANTS	2,422.50	17,666.75
4170.04	PAYROLL SERVICES	368.61	3,308.42
4171.00	AUDITING FEES	0.00	360.00
4180.00	OFFICE RENT	4,299.60	34,145.02
4180.01	OFFICE UTILITIES	407.40	2,891.57
4190.00	SUNDRY - ADMINISTRATIVE	0.00	3,300.00
4190.01	BANK FEES	82.27	317.47
4190.02	REAC INSPECTIONS	0.00	2,380.25
4190.03	TELEPHONE EXPENSES	1,350.69	8,703.74
4190.04	COMPUTER EQUIPMENT & SUPPORT	0.00	2,199.13
4190.05	MONTHLY ADMIN FEES	105.00	385.00
4190.07	POSTAGE	1,350.98	3,986.77
4190.10	OFFICE EXPENSES	1,517.32	7,911.13
4190.13	COPIER EXPENSES	397.45	3,482.46
4190.15	MEMBERSHIP DUES	300.00	2,015.07
4190.17	CRIMINAL RECORDS CHECK	530.40	2,235.41
4190.19	COPIER RENTAL	486.01	3,629.06
4190.20	DOCUMENT SHREDDING	123.58	785.44
4190.24	FINANCE FEES	0.00	35.00
4310.00	WATER	14,609.12	47,275.72
4310.01	SEWER	11,479.36	35,736.54
4320.00	ELECTRICITY	5,351.00	43,263.62
4330.00	GAS	282.59	4,714.11
4340.00	FUEL	766.11	3,016.21
4400.00	MAINTENANCE SALARIES	9,086.39	71,722.03
4420.01	JANITORIAL SUPPLIES	11.12	1,034.85
4420.02	GROUND SUPPLIES	241.20	1,365.46
4420.03	APPLIANCE SUPPLIES	0.00	404.91
4420.04	HARDWARE SUPPLIES	114.48	7,150.96
4420.05	PAINTING SUPPLIES	289.14	902.88
4420.06	PLUMBING SUPPLIES	464.73	2,114.17
4420.07	ELECTRICAL SUPPLIES	229.80	264.54
4420.09	HTG & A/C PARTS	0.00	188.77
4420.10	APPLIANCES	1,304.93	6,266.41
4420.11	APPLIANCE PARTS	0.00	40.90
4420.12	MAINTENANCE RENTAL EQUIPMENT	223.03	223.03
4420.13	UNIFORMS - COST & CLEANING	0.00	509.01
4420.16	REAL ESTATE TAXES	0.00	6,015.18
4430.00	CONTRACT COST	0.00	81.09
4430.01	GROUND CONTRACT	0.00	354.00
4430.04	REAC INSPECTION REPAIRS	0.00	3,089.94
4430.05	ELECTRICAL EQUIPMENT	784.86	3,741.54
4430.06	EXTERMINATION CONTRACT	484.44	5,859.46

		Current Month	Year to Date
4430.07	PAINTING CONTRACT	0.00	11,045.00
4430.08	PLUMBING CONTRACTS	899.00	14,837.00
4430.12	HTG & A/C REPAIRS - CONTRACT	540.00	9,549.30
4430.13	VEHICLE REPAIRS	0.00	580.17
4430.14	MOVERS/EVICTIONS	570.00	570.00
4430.16	STORAGE	226.00	765.50
4430.17	SNOW REMOVAL	0.00	7,430.00
4430.51	UNIT TURNAROUND	0.00	7,598.50
4431.00	GARBAGE & TRASH REMOVAL	102.48	848.96
4480.00	PROTECTIVE SERVICES	0.00	209.58
4500.00	URP EXPENSES	940.00	7,927.83
4510.11	INSURANCE - GENERAL LIABILITY	0.00	14,970.90
4540.00	EMPLOYEE BENEFITS CONTRIBUTION	8,515.61	55,627.05
4570.00	COLLECTION LOSS	0.00	584.86
4590.00	OTHER GENERAL EXPENSES	126.26	126.26
4590.01	MONTGOMERY GRANT ALLIANCE	63.20	228.50
4610.02	EXTRAORDINARY MAINTENANCE	3,884.00	9,379.00
4610.03	CAPITAL FUND EXP	0.00	70,046.84
4718.00	FSS ESCROW CONTRIBUTIONS	5,248.00	31,217.97
	Total Expenses	104,587.39	789,594.95
	Net Income	\$ 2,072.66 (\$	26,539.75)

Cash Reserves

134,108.55

RHE - PUBLIC HOUSING
Income Statement
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
2500.13	FSS GRANT - 2013	\$ 5,000.00	\$ 33,800.00
3110.00	DWELLING RENTALS	41,272.00	293,480.50
3120.00	EXCESS UTILITIES	1,417.12	12,440.59
3610.00	INTEREST REVENUE - INVESTMEN	0.00	3.74
3690.00	OTHER INCOME	1,838.88	6,897.15
3690.01	LATE CHARGES	554.44	4,282.49
3690.09	PROPERTY MGMT FEE	6,358.67	44,767.20
3690.10	MAINTENANCE FEES	1,033.35	7,408.22
3690.16	CAPITAL FUND OPER-2015	13,515.00	68,515.00
8020.00	OPERATING SUBSIDY	36,000.00	262,207.00
	Total Revenues	106,989.46	733,801.89
	Gross Profit	106,989.46	733,801.89
Expenses			
4110.00	ADMINSTRATIVE SALARIES	21,871.73	180,259.99
4110.03	MERIT AWARD	0.00	250.00
4130.00	LEGAL EXPENSE	2,137.00	13,541.66
4140.00	STAFF TRAINING	0.00	5,873.60
4150.00	TRAVEL	0.00	803.46
4162.00	SCHORLARSHIP CONTRIBUTION	0.00	250.00
4167.00	OTHER CONSULTANTS	2,422.50	17,666.75
4170.04	PAYROLL SERVICES	368.61	3,308.42
4171.00	AUDITING FEES	0.00	360.00
4180.00	OFFICE RENT	4,299.60	34,145.02
4180.01	OFFICE UTILITIES	407.40	2,891.57
4190.00	SUNDRY - ADMINSTRATIVE	0.00	3,300.00
4190.01	BANK FEES	82.27	317.47
4190.02	REAC INSPECTIONS	0.00	2,380.25
4190.03	TELEPHONE EXPENSES	1,350.69	8,703.74
4190.04	COMPUTER EQUIPMENT & SUPPOR	0.00	2,199.13
4190.05	MONTHLY ADMIN FEES	105.00	385.00
4190.07	POSTAGE	1,350.98	3,986.77
4190.10	OFFICE EXPENSES	1,517.32	7,911.13
4190.13	COPIER EXPENSES	397.45	3,482.46
4190.15	MEMBERSHIP DUES	300.00	2,015.07
4190.17	CRIMINAL RECORDS CHECK	530.40	2,235.41
4190.19	COPIER RENTAL	486.01	3,629.06
4190.20	DOCUMENT SHREDDING	123.58	785.44
4190.24	FINANCE FEES	0.00	35.00
4310.00	WATER	14,609.12	47,275.72
4310.01	SEWER	11,479.36	35,736.54
4320.00	ELECTRICITY	5,351.00	43,263.62
4330.00	GAS	282.59	4,714.11
4340.00	FUEL	766.11	3,016.21
4400.00	MAINTENANCE SALARIES	9,086.39	71,722.03
4420.01	JANITORIAL SUPPLIES	11.12	1,034.85
4420.02	GROUPS SUPPLIES	241.20	1,365.46
4420.03	APPLIANCE SUPPLIES	0.00	404.91
4420.04	HARDWARE SUPPLIES	114.48	7,150.96
4420.05	PAINTING SUPPLIES	289.14	902.88
4420.06	PLUMBING SUPPLIES	464.73	2,114.17
4420.07	ELECTRICAL SUPPLIES	229.80	264.54
4420.09	HTG & A/C PARTS	0.00	188.77
4420.10	APPLIANCES	1,304.93	6,266.41
4420.11	APPLIANCE PARTS	0.00	40.90
4420.12	MAINTENANCE RENTAL EQUIPME	223.03	223.03
4420.13	UNIFORMS - COST & CLEANING	0.00	509.01

For Management Purposes Only

RHE - PUBLIC HOUSING
Income Statement
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
4420.16	REAL ESTATE TAXES	0.00	6,015.18
4430.00	CONTRACT COST	0.00	81.09
4430.01	· GROUND CONTRACT	0.00	354.00
4430.04	REAC INSPECTION REPAIRS	0.00	3,089.94
4430.05	ELECTRICAL EQUIPMENT	784.86	3,741.54
4430.06	EXTERMINATION CONTRACT	484.44	5,859.46
4430.07	PAINTING CONTRACT	0.00	11,045.00
4430.08	PLUMBING CONTRACTS	899.00	14,837.00
4430.12	HTG & A/C REPAIRS - CONTRACT	540.00	9,549.30
4430.13	VEHICLE REPAIRS	0.00	580.17
4430.14	MOVERS/EVICTIONS	570.00	570.00
4430.16	STORAGE	226.00	765.50
4430.17	SNOW REMOVAL	0.00	7,430.00
4430.51	UNIT TURNAROUND	0.00	7,598.50
4431.00	GARBAGE & TRASH REMOVAL	102.48	848.96
4480.00	PROTECTIVE SERVICES	0.00	209.58
4500.00	URP EXPENSES	940.00	7,927.83
4510.11	INSURANCE - GENERAL LIABILITY	0.00	14,970.90
4540.00	EMPLOYEE BENEFITS CONTRIBUTI	8,515.61	55,627.05
4570.00	COLLECTION LOSS	0.00	584.86
4590.00	OTHER GENERAL EXPENSES	126.26	126.26
4590.01	MONTGOMERY GRANT ALLIANCE	63.20	228.50
4610.02	EXTRAORDINARY MAINTENANCE	3,884.00	9,379.00
4610.03	CAPITAL FUND EXP	0.00	70,046.84
4718.00	FSS ESCROW CONTRIBUTIONS	5,248.00	31,217.97
		<hr/>	<hr/>
	Total Expenses	104,587.39	789,594.95
		<hr/>	<hr/>
	Net Income	\$ 2,402.07	\$ (55,793.06)
		<hr/>	<hr/>

RHE - PUBLIC HOUSING

Balance Sheet

April 30, 2016

ASSETS

Current Assets

RHE GEN FUND	\$	113,524.74
RHE PAYROLL		(0.04)
RHE SECURITY DEPOSIT		44,722.17
FSS ESCROW		36,995.46
GEN FUND INVESTMENTS		28,929.15
PETTY CASH		306.10
ACCOUNTS RECEIVABLE TENANTS		(5,767.59)
ALLOWANCE FOR DOUBTFUL ACCT		(3,000.00)
ACCOUNTS RECEIVABLE - FIRESIDE		1,008.00
ACCOUNTS RECEIVABLE - VOUCHER		58,869.82
ACCOUNTS RECEIVABLE - RELP		85,442.56
ACCOUNTS RECEIVABLE - RHE DEV		15,649.20
AR - CENTRAL OFFICE		1,000.00
NOTES RECEIVABLE - RELP ONE LP		194,467.00
ACCRUED INTEREST RECEIVABLE		3,052.39
OTHER		870.00

Total Current Assets

576,068.96

Property and Equipment

LAND	424,235.00
BUILDING	11,185,001.71
DWELLING EQUIPMENT	78,336.85
OFFICE FURNITURE & EQUIPMENT	144,898.86
ACCUMULATED DEPRECIATION	(8,535,842.44)

Total Property and Equipment

3,296,629.98

Other Assets

PREPAID SUPPORT	2,117.37
-----------------	----------

Total Other Assets

2,117.37

Total Assets

\$ 3,874,816.31

LIABILITIES AND CAPITAL

Current Liabilities

A/P INTERFUND	\$	(4,630.61)
VENDORS & CONTRACTS		16,279.86
TENANTS SECURITY DEPOSITS		49,203.37
PAYROLL DEDUCTION - OTHER		16,316.75
PAYROLL DEDUCTION AFLAC FLEX		335.96
A/P MISCELLANEOUS		33,754.44
ACCOUNTS PAYABLE - HCV		8,149.89
ACCOUNTS PAYABLE - RHE PROP		220.00
ACCOUNTS PAYABLE-FIRESIDE		6,658.00
A/P INTERFUND		30,983.43
ACCRUED PAYROLL		33,691.96
COMPENSATED ABSENCES		27,592.29
COMPENSATED ABSENCES - NONCU		4,869.24
FSS ESCROW		64,348.59
TENANTS PREPAID RENT		13,633.26

Total Current Liabilities

301,406.43

Long-Term Liabilities

Unaudited - For Management Purposes Only

RHE - PUBLIC HOUSING
Balance Sheet
April 30, 2016

Total Long-Term Liabilities		0.00
Total Liabilities		301,406.43
Capital		
INVESTED IN CAPITAL ASSETS NET	3,296,522.00	
UNRESTRICTED NET POSITION - AD	138,213.94	
RESTRICTED NET ASSETS - HAP	194,467.00	
Net Income	(55,793.06)	
Total Capital		3,573,409.88
Total Liabilities & Capital	\$	3,874,816.31

Housing Choice
Voucher Program
Financial Report
Month ending April 2016

RHE - HCV
Admin UNA Cash Flow
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
3600.00	ADMIN FEES	\$ 29,940.00	\$ 223,569.00
3600.01	ADMIN FEE - MAINSTREAM	48,226.00	76,460.00
3603.00	ADMIN FEE - PORT IN	2,165.47	4,017.91
	Total Revenues	80,331.47	304,046.91
	Gross Profit	80,331.47	304,046.91
Expenses			
4110.00	ADMINISTRATIVE SALARIES	20,380.24	180,420.43
4110.03	MERIT AWARD	0.00	250.00
4130.00	LEGAL EXPENSE	130.00	130.00
4140.00	STAFF TRAINING	0.00	6,376.65
4150.00	TRAVEL	0.00	71.81
4167.00	OTHER CONSULTANTS	169.00	6,307.25
4171.00	AUDITING FEES	0.00	156.00
4180.00	OFFICE RENT	1,863.16	14,796.17
4180.01	OFFICE - UTILITIES	149.08	1,430.15
4190.01	BANK FEES	20.00	140.00
4190.02	HQS INSPECTIONS	482.97	1,863.97
4190.03	TELEPHONE EXPENSES	504.80	3,306.20
4190.04	COMPUTER EQUIPMENT & SUPPORT	0.00	1,813.63
4190.05	MONTHLY ADMIN FEES	45.00	165.00
4190.07	POSTAGE	579.00	1,708.66
4190.10	OFFICE EXPENSES	673.05	2,438.97
4190.13	COPIER EXPENSES	81.00	638.54
4190.15	MEMBERSHIP DUES	0.00	1,236.14
4190.17	CRIMINAL RECORDS CHECK	302.89	2,578.27
4190.19	COPIER RENTAL	0.00	1,347.02
4190.20	DOCUMENT SHREDDING	0.00	141.23
4420.01	CONSUMABLE JANITORIAL SUPPLIES	11.12	68.20
4420.04	HARDWARE SUPPLIES	0.00	41.50
4420.06	PLUMBING SUPPLIES	0.00	20.33
4480.00	PROTECTION SERVICES	0.00	89.82
4500.00	URP EXPENSES	2,166.00	15,513.00
4510.02	INSURANCE - GENERAL LIABILITY	0.00	6,416.10
4540.00	EMPLOYEE BENEFITS CONTRIBUTION	6,662.55	54,365.01
4590.00	PETTY CASH	54.12	54.12
	Total Expenses	34,273.98	303,884.17
	Net Income	\$ 46,057.49	\$ 162.74

RHE - HCV
HAP NRA Cash Flow
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
3602.00	PORT IN	33,576.00	71,036.52
8020.00	HAP CONTRIBUTION	402,764.00	2,784,188.00
8020.01	HAP CONTRIBUTIONS-MAINSTREAM	0.00	275,598.00
8020.02	HAP CONTRIBUTIONS-MR	2,582.05	2,582.05
	Total Revenues	438,922.05	3,133,404.57
	Gross Profit	438,922.05	3,133,404.57
Expenses			
4500.00	URP EXPENSES	2,166.00	15,513.00
4715.00	HOUSING ASSISTANCE PYMTS	427,770.67	2,926,599.46
4715.01	HOUSING ASSISTANCE PYMTS- MS	53,068.63	338,090.31
4718.00	FSS ESCROW CONTRIBUTIONS	4,303.06	34,782.12
	Total Expenses	487,308.36	3,314,984.89
	Net Income	(\$ 48,386.31)	(\$ 181,580.32)
	Cash Reserve		217,319.70

RHE - HCV
Income Statement
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
3600.00	ADMIN FEES	\$ 29,940.00	\$ 223,569.00
3600.01	ADMIN FEE - MAINSTREAM	48,226.00	76,460.00
3602.00	PORT IN	33,576.00	71,036.52
3603.00	ADMIN FEE - PORT IN	2,165.47	4,017.91
8020.00	HAP CONTRIBUTION	402,764.00	2,784,188.00
8020.01	HAP CONTRIBUTIONS-MAINSTREA	0.00	275,598.00
8020.02	HAP CONTRIBUTIONS-MR	2,582.05	2,582.05
		<hr/>	<hr/>
	Total Revenues	519,253.52	3,437,451.48
		<hr/>	<hr/>
	Gross Profit	519,253.52	3,437,451.48
		<hr/>	<hr/>
Expenses			
4110.00	ADMINSTRATIVE SALARIES	20,380.24	180,420.43
4110.03	MERIT AWARD	0.00	250.00
4130.00	LEGAL EXPENSE	130.00	130.00
4140.00	STAFF TRAINING	0.00	6,376.65
4150.00	TRAVEL	0.00	71.81
4167.00	OTHER CONSULTANTS	169.00	6,307.25
4171.00	AUDITING FEES	0.00	156.00
4180.00	OFFICE RENT	1,863.16	14,796.17
4180.01	OFFICE - UTILITIES	149.08	1,430.15
4190.01	BANK FEES	20.00	140.00
4190.02	HQS INSPECTIONS	482.97	1,863.97
4190.03	TELEPHONE EXPENSES	504.80	3,306.20
4190.04	COMPUTER EQUIPMENT & SUPPOR	0.00	1,813.63
4190.05	MONTHLY ADMIN FEES	45.00	165.00
4190.07	POSTAGE	579.00	1,708.66
4190.10	OFFICE EXPENSES	673.05	2,438.97
4190.13	COPIER EXPENSES	81.00	638.54
4190.15	MEMBERSHIP DUES	0.00	1,236.14
4190.17	CRIMINAL RECORDS CHECK	302.89	2,578.27
4190.19	COPIER RENTAL	0.00	1,347.02
4190.20	DOCUMENT SHREDDING	0.00	141.23
4420.01	CONSUMABLE JANITORIAL SUPPLI	11.12	68.20
4420.04	HARDWARE SUPPLIES	0.00	41.50
4420.06	PLUMBING SUPPLIES	0.00	20.33
4480.00	PROTECTION SERVICES	0.00	89.82
4500.00	URP EXPENSES	2,166.00	15,513.00
4510.02	INSURANCE - GENERAL LIABILITY	0.00	6,416.10
4540.00	EMPLOYEE BENEFITS CONTRIBUTI	6,662.55	54,365.01
4590.00	PETTY CASH	54.12	54.12
4715.00	HOUSING ASSISTANCE PYMTS	427,770.67	2,926,599.46
4715.01	HOUSING ASSISTANCE PYMTS- MS	53,068.63	338,090.31
4718.00	FSS ESCROW CONTRIBUTIONS	4,303.06	34,782.12
		<hr/>	<hr/>
	Total Expenses	519,416.34	3,603,356.06
		<hr/>	<hr/>
	Net Income	\$ (162.82)	\$ (165,904.58)
		<hr/>	<hr/>

RHE - HCV
Balance Sheet
April 30, 2016

ASSETS

Current Assets		
HCV GEN FUND	\$	179,241.04
FSS ESCROW		96,038.12
ACCOUNTS RECEIVABLE - PH		(76,524.54)
ACCOUNTS RECEIVABLE - REH PRO		2,364.00
ACCOUNTS RECEIVABLE - MOD		(5,731.95)
ACCOUNTS RECEIVABLE - RHE COR		(38,571.40)
OTHER		(12.00)
		<hr/>
Total Current Assets		156,803.27
Property and Equipment		
LAND		1,339.97
OFFICE FURNITURE & EQUIPMENT		45,908.07
ACCUMULATED DEPRECIATION		(43,621.39)
		<hr/>
Total Property and Equipment		3,626.65
Other Assets		<hr/>
Total Other Assets		<hr/> 0.00
Total Assets	\$	<hr/> <hr/> 160,429.92

LIABILITIES AND CAPITAL

Current Liabilities		
VENDORS & CONTRACTS	\$	2,697.64
PAYROLL DEDUCTIONS - OTHER		(1,095.88)
PAYROLL DEDUCTIONS-AFLAC FLE		(3,484.71)
A/P - HUD		62,093.00
ACCOUNTS APYABLE - RHE PROP		823.51
ACCOUNTS PAYABLE - LOW RENT		71,081.68
ACCOUNTS PAYABLE - MOD REHAB		(1,000.00)
ACCOUNTS PAYABLE - INTERFUND		(136,507.85)
ACCRUED PAYROLL		4,219.87
COMPENSATED ABSENCES		21,530.91
COMPENSATED ABSENCES - NONCU		3,799.57
FSS ESCROW		103,631.10
		<hr/>
Total Current Liabilities		127,788.84
Long-Term Liabilities		<hr/>
Total Long-Term Liabilities		<hr/> 0.00
Total Liabilities		127,788.84
Capital		
INVESTED IN CAPITAL ASSETS NET		6,050.61
UNRESTRICTED NET POSITION - AD		(36,693.54)
RESTRICTED NET ASSETS - HAP		230,496.08
PRIOR YEARS ADJS-HAP		(1,307.49)
Net Income		(165,904.58)
		<hr/>
Total Capital		<hr/> 32,641.08
Total Liabilities & Capital	\$	<hr/> <hr/> 160,429.92

Unaudited - For Management Purposes Only

Mod Rehab
Financial Report
Month ending April 2016

RHE - MOD REHAB
Income Statement
For the Seven Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
3600.01	ADMIN FEES	\$ 523.95	\$ 523.95
8020.02	HAP CONTRIBUTION - MOD	2,582.05	27,133.05
		<u>3,106.00</u>	<u>27,657.00</u>
	Total Revenues		
		<u>3,106.00</u>	<u>27,657.00</u>
	Gross Profit		
		<u>3,106.00</u>	<u>27,657.00</u>
Expenses			
4715.00	HOUSING ASSISTANCE PYMTS	2,889.00	21,320.00
		<u>2,889.00</u>	<u>21,320.00</u>
	Total Expenses		
		<u>2,889.00</u>	<u>21,320.00</u>
	Net Income	\$ <u>217.00</u>	\$ <u>6,337.00</u>

RHE - MOD REHAB
Balance Sheet
April 30, 2016

ASSETS

Current Assets		
ACCOUNTS RECEIVABLE - VOUCHE	\$	66,021.54
		<u>66,021.54</u>
Total Current Assets		66,021.54
Property and Equipment		<u>0.00</u>
Total Property and Equipment		0.00
Other Assets		<u>0.00</u>
Total Other Assets		0.00
Total Assets	\$	<u><u>66,021.54</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
ACCOUNTS PAYABLE - HUD	\$	206.79
DUE TO HCV		55,601.00
		<u>55,807.79</u>
Total Current Liabilities		55,807.79
Long-Term Liabilities		<u>0.00</u>
Total Long-Term Liabilities		0.00
Total Liabilities		55,807.79
Capital		
UNRESTRICTED NET POSITION		3,876.75
Net Income		6,337.00
		<u>10,213.75</u>
Total Capital		10,213.75
Total Liabilities & Capital	\$	<u><u>66,021.54</u></u>

RELP One. LP

Financial Report

Month ending April 2016

REL ONE LP
Admin Cash Flow
For the Four Months Ending April 30, 2016

	Current Month	Year to Date
Revenues		
DWELLING RENTAL	\$ 52,031.00	\$ 214,905.00
SECTION 8 SUBSIDIES	14,477.00	52,280.00
INVESTMENT INCOME	0.00	0.36
LATE FEES	0.00	640.15
OTHER INCOME	405.85	430.85
Total Revenues	66,913.85	268,256.36
Gross Profit	66,913.85	268,256.36
Expenses		
DIRECT LABOR EXPENSE A	7,243.07	31,764.08
LEGAL EXPENSES	1,690.00	3,653.46
OTHER CONSULTANTS	253.50	253.50
OFFICE RENT	1,003.24	4,012.96
OFFICE UTILITIES	80.28	379.72
OFFICE SUPPLIES	66.40	205.74
BANK FEES	769.36	3,021.16
CRIMINAL BACKGROUND CHECK	0.00	104.55
ELECTRICITY	0.00	196.81
GAS	96.99	657.70
FUEL	0.00	31.21
MAINTENANCE ADMIN FEE	1,033.35	3,731.82
GROUNDS SUPPLIES	0.00	50.86
HARDWARE SUPPLIES	169.56	1,395.03
PAINTING SUPPLIES	154.97	154.97
PLUMBING SUPPLIES	191.22	512.57
APPLIANCES	0.00	890.40
MAINTENANCE EQUIPMENT RENTAL	44.99	44.99
APPLIANCE PARTS	0.00	246.69
MISC CONTRACTS	0.00	1,406.50
PAINTING CONTRACTS	0.00	700.00
PLUMBING CONTRACTS	210.00	1,534.00
HTG & COOLING CONTRACTS	0.00	1,079.30
VEHICLE REPAIRS	0.00	555.19
STORAGE	226.00	452.00
MORTGAGE INSURANCE	0.00	2,263.94
DIRECT LABOR EXPENSE B	1,200.79	5,415.21
BOND / MORTGAGE INTEREST EXP	15,047.65	60,301.91
ASSOCIATION FEES	13,624.68	49,842.36
ASSET MANAGEMENT FEES	0.00	6,595.00
PROPERTY MGMT FEES	6,358.67	25,395.20
Total Expenses	49,464.72	206,848.83
Net Income	\$ 17,449.13	\$ 61,407.53

REL P ONE LP
Income Statement
For the Four Months Ending April 30, 2016

	Current Month	Year to Date
Revenues		
DWELLING RENTAL	\$ 52,031.00	\$ 214,905.00
SECTION 8 SUBSIDIES	14,477.00	52,280.00
INVESTMENT INCOME	0.00	0.36
LATE FEES	0.00	640.15
OTHER INCOME	405.85	430.85
	<hr/>	<hr/>
Total Revenues	66,913.85	268,256.36
	<hr/>	<hr/>
Gross Profit	66,913.85	268,256.36
	<hr/>	<hr/>
Expenses		
DIRECT LABOR EXPENSE A	7,243.07	31,764.08
LEGAL EXPENSES	1,690.00	3,653.46
OTHER CONSULTANTS	253.50	253.50
OFFICE RENT	1,003.24	4,012.96
OFFICE UTILITIES	80.28	379.72
OFFICE SUPPLIES	66.40	205.74
BANK FEES	769.36	3,021.16
CRIMINAL BACKGROUND CHECK	0.00	104.55
ELECTRICITY	0.00	196.81
GAS	96.99	657.70
FUEL	0.00	31.21
MAINTENANCE ADMIN FEE	1,033.35	3,731.82
GROUNDS SUPPLIES	0.00	50.86
HARDWARE SUPPLIES	169.56	1,395.03
PAINTING SUPPLIES	154.97	154.97
PLUMBING SUPPLIES	191.22	512.57
APPLIANCES	0.00	890.40
MAINTENANCE EQUIPMENT RENT	44.99	44.99
APPLIANCE PARTS	0.00	246.69
MISC CONTRACTS	0.00	1,406.50
PAINTING CONTRACTS	0.00	700.00
PLUMBING CONTRACTS	210.00	1,534.00
HTG & COOLING CONTRACTS	0.00	1,079.30
VEHICLE REPAIRS	0.00	555.19
STORAGE	226.00	452.00
MORTGAGE INSURANCE	0.00	2,263.94
DIRECT LABOR EXPENSE B	1,200.79	5,415.21
BOND / MORTGAGE INTEREST EXP	15,047.65	60,301.91
ASSOCIATION FEES	13,624.68	49,842.36
DEPRECIATION	22,255.24	89,020.96
ASSET MANAGEMENT FEES	0.00	6,595.00
PROPERTY MGMT FEES	6,358.67	25,395.20
	<hr/>	<hr/>
Total Expenses	71,719.96	295,869.79
	<hr/>	<hr/>
Net Income	\$ (4,806.11)	\$ (27,613.43)
	<hr/>	<hr/>

REL ONE LP
Balance Sheet
April 30, 2016

ASSETS

Current Assets

REL ONE OPER	\$	390,734.17
REL TENANT SECURITY DEPOSIT		24,242.93
TENANTS ACCOUNTS RECEIVABLE		4,161.05
OPERATING RESERVE		299,815.70
REPLACEMENT RESERVE		59,996.22
MORTGAGE ESCROW		23,924.83
PREPAID INSURANCE		21,047.46
PREPAID TAXES		6,340.28
PREPAID SUPPORT		12,250.00

Total Current Assets 842,512.64

Property and Equipment

SITE AQUISITION	259,000.00
SITE IMPROVEMENTS	217,495.00
COMPUTER SOFTWARE	(10,000.00)
BUILDING	6,569,020.56
DWELLING EQUIPMENT	105,841.25
OFFICE FURNITURE & EUIPMENT	10,000.00
ACCUMULATED DEPRECIATION	(3,289,680.48)

Total Property and Equipment 3,861,676.33

Other Assets

DEFERRED FINANCING COST	183,650.50
AMORTIZATION DEFERRED FINAN	(51,728.50)

Total Other Assets 131,922.00

Total Assets \$ 4,836,110.97

LIABILITIES AND CAPITAL

Current Liabilities

ACCOUNTS PAYABLE - PH	\$	29,292.77
TENANTS SECURITY DEPOSIT		14,472.39
TENANTS PET DEPOSIT		601.00
SECURITY DEPOSIT INTEREST		3,012.47
ACCRUED EXPENSES		3,471.00
EMPLOYEE DEDUCTION AFLAC		(277.35)
ACCOUNTS PAYABLE - LOW RENT		5,917.62
ACCRUED INT PAYABLE - MORTGA		15,522.73
ACCRUED INT PAYABLE - CTY LOA		48,894.53
ACCRUED INT PAYBLE - RHE LOAN		4,406.92
TENANTS PREPAID RENTS		12,388.38

Total Current Liabilities 137,702.46

Long-Term Liabilities

BOND / MORTGAGE PAYABLE	3,461,583.42
CITY LOAN PAYABLE	120,000.00
COUNTY LOAN PAYABLE	1,397,244.94
RHE LOAN PAYABLE	194,466.54

Total Long-Term Liabilities 5,173,294.90

Total Liabilities 5,310,997.36

REL P ONE LP
Balance Sheet
April 30, 2016

Capital		
PARTNERS EQUITY	(447,272.96)	
Net Income	<u>(27,613.43)</u>	
Total Capital		<u>(474,886.39)</u>
Total Liabilities & Capital	\$	<u><u>4,836,110.97</u></u>

Fireside Park

Financial Report

Month ending April 2016

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

INCOME STATEMENT
INCOME:

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance	Prior Year YTD Actual	Total Annual Budget
RENT POTENTIAL								
Rental Income Tenants	5120 \$272,882.00	\$313,670.00	(\$40,788.00)	\$1,097,145.00	\$1,254,680.00	(\$157,535.00)	\$1,098,912.00	\$3,764,040.00
Rental Income Subsidy	5121 40,788.00	0.00	40,788.00	157,535.00	0.00	157,535.00	111,543.00	0.00
Overages	5995:5996 0.00	0.00	0.00	0.00	0.00	0.00	3,873.00	0.00
Unrealized Rent Potential	5122 (6,789.00)	(9,047.00)	2,258.00	(33,157.46)	(38,660.00)	5,502.54	(27,246.00)	(96,478.00)
RENT INCOME (Subtotal)	306,881.00	304,623.00	2,258.00	1,221,522.54	1,216,020.00	5,502.54	1,187,082.00	3,667,562.00
Vacancy Loss/Recovery	5220 (25,725.00)	(15,684.00)	(10,041.00)	(109,343.00)	(86,260.00)	(23,083.00)	(25,921.00)	(180,362.00)
Concessions to Tenants	6230 (1,541.42)	(1,000.00)	(541.42)	(3,845.43)	(4,000.00)	154.57	(4,148.13)	(12,000.00)
Bad Debt Expense	6370 0.00	(2,000.00)	2,000.00	(20,885.34)	(16,000.00)	(4,885.34)	(12,002.37)	(32,000.00)
Quarters	6331 0.00	0.00	0.00	0.00	0.00	0.00	(1,350.00)	0.00
ADJUST TO INCOME (Subtotal)	(27,266.42)	(18,684.00)	(8,582.42)	(134,073.77)	(106,260.00)	(27,813.77)	(43,421.50)	(224,362.00)
TOTAL RENTAL INCOME	279,614.58	285,939.00	(6,324.42)	1,087,448.77	1,109,760.00	(22,311.23)	1,143,660.50	3,443,200.00
ECONOMIC OCCUPANCY	89.14%	91.16%	2.02%	86.67%	88.45%	1.78%	94.48%	91.48%

OTHER INCOME

Interest Income	5410 0.00	0.00	0.00	0.00	0.00	0.00	7.46	0.00
Security Deposit Interest	5411 1.42	0.00	1.42	5.56	0.00	5.56	0.00	0.00
Legal Fee Charges-Tenant	5920 0.00	360.00	(360.00)	3,766.00	1,440.00	2,326.00	0.00	4,320.00
Maintenance Charges-Tenant	5921 73.71	440.00	(366.29)	1,380.19	1,760.00	(379.81)	3,243.47	5,280.00
Late Fee Charges-Tenant	5923 1,110.55	975.00	135.55	5,356.00	3,900.00	1,456.00	3,885.64	11,700.00
NSF Fee Charges-Tenant	5924 0.00	25.00	(25.00)	175.00	125.00	50.00	275.00	400.00
Pet Fee Collections	5925 1,390.00	1,400.00	(10.00)	6,032.98	6,300.00	(267.02)	5,790.00	18,900.00
Washer/Dryer Rental Charges-Tenant	5926 0.00	0.00	0.00	0.00	0.00	0.00	60.00	0.00
Cable TV Charges-Tenant	5927 858.62	0.00	858.62	858.62	1,100.00	(241.38)	1,171.76	4,400.00
Parking/Garage Income	5929 1,688.19	1,680.00	8.19	6,819.48	6,720.00	99.48	7,520.51	20,160.00
Water Income	5930 (1,462.75)	8,702.00	(10,164.75)	32,575.54	34,032.00	(1,456.46)	32,967.37	104,507.00
Trash Income	5934 3,032.53	4,245.00	(1,212.47)	13,995.60	16,619.00	(2,623.40)	13,951.00	50,994.00
Month to Month	5935 425.00	575.00	(150.00)	1,175.00	2,300.00	(1,125.00)	2,750.00	6,900.00
Upgrade Premium	5936 0.00	0.00	0.00	0.00	0.00	0.00	3,014.00	0.00
Application Fee Income	5990 225.00	450.00	(225.00)	1,175.00	1,650.00	(475.00)	175.00	4,875.00
Broken Lease Charges-Tenant	5992 0.00	0.00	0.00	3,810.00	1,200.00	2,610.00	3,795.00	4,800.00
Miscellaneous Income	5994 (858.62)	0.00	(858.62)	0.00	0.00	0.00	0.00	900.00
TOTAL OTHER INCOME	6,483.65	18,852.00	(12,368.35)	77,124.97	77,146.00	(21.03)	78,606.21	238,136.00
TOTAL INCOME	286,098.23	304,791.00	(18,692.77)	1,164,573.74	1,186,906.00	(22,332.26)	1,222,266.71	3,681,336.00

EXPENSES:

PAYROLL EXPENSE

5/9/2016
4:38 PM

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance	Prior Year YTD Actual	Total Annual Budget
Marketing Payroll	2,609.98	2,696.00	86.02	12,502.11	12,104.00	(398.11)	13,325.78	35,320.00
Office Payroll	5,128.52	4,509.00	(619.52)	17,464.94	16,818.00	(646.94)	21,208.82	46,587.00
Resident Manager Payroll	3,178.77	4,685.00	1,506.23	19,021.17	21,585.00	2,563.83	22,758.57	62,757.00
Cleaning Payroll	4,593.14	3,917.00	(676.14)	13,531.79	18,448.00	4,916.21	0.00	52,340.00
Service Payroll	14,542.37	12,591.00	(1,951.37)	65,053.85	57,374.00	(7,679.85)	66,736.97	165,493.00
Payroll Processing	100.00	117.00	17.00	449.94	468.00	18.06	258.44	1,400.00
FICA	2,153.50	2,041.00	(112.50)	9,367.51	9,182.00	(185.51)	9,019.58	26,532.00
FUTA	25.65	0.00	(25.65)	332.51	337.00	4.49	341.67	336.00
SUTA	141.07	114.00	(27.07)	2,067.84	3,128.00	1,060.16	2,398.42	3,128.00
Workers Compensation	880.49	791.00	(89.49)	3,699.47	3,580.00	(119.47)	3,255.89	10,300.00
401K/EAP Benefits	392.34	472.00	79.66	1,293.54	2,132.00	838.46	1,316.54	6,143.00
Health Insurance	1,825.94	2,950.00	1,124.06	5,379.64	11,800.00	6,420.36	6,135.05	35,400.00
TOTAL PAYROLL EXPENSE	35,571.77	34,883.00	(688.77)	150,164.31	156,956.00	6,791.69	146,755.73	445,736.00
FURNISHED APARTMENT EXPENSES								
RENTING EXPENSES								
Advertising/Marketing	1,768.95	2,313.00	544.05	6,738.17	8,411.00	1,672.83	8,169.48	29,331.00
Credit Reports	242.45	306.00	63.55	837.95	1,122.00	284.05	1,155.70	3,315.00
TOTAL RENTING EXPENSE	2,011.40	2,619.00	607.60	7,576.12	9,533.00	1,956.88	9,325.18	32,646.00
SERVICE EXPENSES								
Activities Supply	17.09	550.00	532.91	512.08	825.00	312.92	722.15	3,525.00
Activities Contractor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
TOTAL SERVICE EXPENSE	17.09	550.00	532.91	512.08	825.00	312.92	722.15	3,825.00
ADMINISTRATIVE EXPENSES								
Training	0.00	15.00	15.00	1,207.99	1,218.00	10.01	1,593.29	3,193.00
Office Supplies	572.71	425.00	(147.71)	1,509.86	1,700.00	190.14	2,023.34	5,256.00
Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00	0.00	1,037.73	450.00
Postage	34.37	55.00	20.63	127.63	220.00	92.37	211.42	660.00
Computer Expense	889.61	1,188.00	298.39	4,334.43	4,333.00	(1.43)	4,924.83	12,040.00
Bank Charges	130.30	150.00	19.70	656.47	600.00	(56.47)	594.98	1,800.00
Travel	0.00	400.00	400.00	363.24	1,600.00	1,236.76	1,361.20	4,800.00
Telephone Expense/DSL Expense	755.75	829.00	73.25	3,342.97	3,316.00	(26.97)	2,943.60	11,248.00
Management Fee	8,296.17	9,174.00	877.83	35,507.34	35,761.00	253.66	35,440.03	110,797.00
Legal Expenses	1,660.00	360.00	(1,300.00)	4,908.00	1,440.00	(3,468.00)	945.00	4,320.00
Auditing Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,658.00
TOTAL ADMINISTRATIVE EXPENSES	12,338.91	12,596.00	257.09	51,957.93	50,188.00	(1,769.93)	51,075.42	161,216.00
UTILITY EXPENSES								
Electricity	1,290.24	1,855.00	564.76	6,049.09	6,080.00	30.91	5,984.56	14,682.00

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance	Prior Year YTD Actual	Total Annual Budget
Water	6451	12,549.20	14,000.00	1,450.80	59,355.08	56,000.00	(3,355.08)	175,850.00
Gas	6452	3,084.59	3,079.00	(5.59)	13,945.83	16,365.00	2,419.17	43,739.00
Vacant Unit Electric	6454	445.53	212.00	(233.53)	992.94	990.00	(2.94)	305.15
Vacant Unit Gas	6455	336.11	248.00	(88.11)	2,421.08	1,157.00	(1,264.08)	3,965.00
TOTAL UTILITY EXPENSES		17,705.67	19,394.00	1,688.33	82,764.02	80,592.00	(2,172.02)	241,634.00
TURN-OVER (TO) EXPENSES								
TO Cleaning Contract	6501	(1,310.00)	280.00	1,590.00	760.70	1,006.00	245.30	2,983.00
TO Painting Contract	6503	1,615.00	2,900.00	1,285.00	7,672.50	10,200.00	2,527.50	30,400.00
TOTAL TURN-OVER (TO) EXPENSES		305.00	3,180.00	2,875.00	8,433.20	11,206.00	2,772.80	33,383.00
MAINTENANCE EXPENSE								
Grounds Supplies	6515	307.50	250.00	(57.50)	1,347.80	585.00	(762.80)	506.82
Cleaning Supplies	6516	(870.83)	300.00	1,170.83	937.10	1,500.00	562.90	48.91
Repairs Supplies	6517	2,954.30	2,000.00	(954.30)	8,811.35	8,000.00	(811.35)	7,829.42
Painting Supplies	6518	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Painting Contract	6519	0.00	0.00	0.00	0.00	0.00	0.00	3,910.00
Exterminating	6520	(700.00)	935.00	1,635.00	140.00	3,715.00	3,575.00	2,291.00
Grounds Contract	6521	1,800.59	1,801.00	0.41	3,601.18	3,602.00	0.82	5,961.18
Cleaning Contract	6522	100.00	0.00	(100.00)	210.00	0.00	(210.00)	26,050.06
Repairs Contract	6523	1,521.75	2,163.00	641.25	5,895.53	8,762.00	2,866.47	36,800.87
Trash Removal	6525	7,648.10	7,681.00	32.90	32,193.93	30,554.00	(1,639.93)	26,944.13
Protection Contract	6535	393.00	816.00	423.00	3,214.45	5,149.00	1,934.55	2,165.60
HVAC Repairs & Materials	6546	424.00	350.00	(74.00)	424.00	3,150.00	2,726.00	6,567.74
Snow Removal/Supplies	6548	0.00	0.00	0.00	20,768.37	23,000.00	2,231.63	29,976.56
Swimming Pool Maintenance	6570	0.00	0.00	0.00	0.00	0.00	0.00	4,100.00
Uniform Service	6590	0.00	0.00	0.00	0.00	750.00	750.00	260.09
TOTAL MAINTENANCE EXPENSES		13,578.41	16,296.00	2,717.59	77,543.71	88,767.00	11,223.29	153,412.38
TAXES AND INSURANCE								
Real Estate Taxes	6710	18,118.31	18,118.00	(0.31)	72,473.24	72,472.00	(1.24)	57,812.64
Hazard Insurance	6720	4,349.17	4,349.00	(0.17)	17,396.68	17,396.00	(0.68)	5,477.24
Other Taxes, Licenses, and Fees	6790	0.00	0.00	0.00	0.00	0.00	0.00	24,320.00
TOTAL TAXES AND INSURANCE		22,467.48	22,467.00	(0.48)	89,869.92	89,868.00	(1.92)	87,609.88
TOTAL OPERATING EXPENSES		103,995.73	111,985.00	7,989.27	468,821.29	487,935.00	19,113.71	547,106.49
NET OPER INC/(LOSS) - NOI		182,102.50	192,806.00	(10,703.50)	695,752.45	698,971.00	(3,218.55)	675,160.22
								2,212,770.00

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

	Current Month Actual	Current Month Budget	Current Month Variance	Year to Date Actual	Year to Date Budget	Year to Date Variance	Prior Year YTD Actual	Total Annual Budget	
TO Carpet/Vinyl Replacement	6504	4,685.49	4,100.00	(585.49)	7,485.50	14,476.00	6,990.50	10,701.68	43,118.00
TO Appliances/Cabinets/HVAC	6505	1,158.74	0.00	(1,158.74)	1,158.74	0.00	(1,158.74)	5,091.57	15,810.00
Carpet/Vinyl Replacement	6593	251.97	0.00	(251.97)	716.44	1,405.00	688.56	(424.60)	4,215.00
Appliances/Cabinets/HVAC	6594	0.00	9,958.00	9,958.00	1,023.21	19,916.00	18,892.79	8,722.55	41,298.00
Maintenance Equipment	6571	1,021.58	0.00	(1,021.58)	5,417.47	6,250.00	832.53	482.35	7,500.00
Furniture/Fixtures and Equipment	6596	2,300.00	12,000.00	9,700.00	2,300.00	12,000.00	9,700.00	644.40	17,000.00
R/R Eligible Expenses	6592	4,576.83	7,878.00	3,301.17	6,367.83	25,810.00	19,442.17	4,750.54	223,282.00
TOTAL REPLACEMENT EXPENSES		13,994.61	33,936.00	19,941.39	24,469.19	79,857.00	55,387.81	29,968.49	352,223.00
NET OPER INC/(LOSS) AFTER REPLACEMENTS		168,107.89	158,870.00	9,237.89	671,283.26	619,114.00	52,169.26	645,191.73	1,860,547.00
FINANCIAL EXPENSES									
Interest-First Mortgage	6820	88,917.48	90,087.00	1,169.52	358,663.35	361,326.00	2,662.65	367,161.46	1,076,154.00
Interest-Third Mortgage	6830	4,263.76	4,264.00	0.24	17,055.04	17,056.00	0.96	17,055.04	51,171.00
Interest-Fourth Mortgage	6835	6,933.06	6,933.00	(0.06)	27,732.24	27,732.00	(0.24)	30,549.02	83,197.00
TOTAL FINANCIAL EXPENSES		100,114.30	101,284.00	1,169.70	403,450.63	406,114.00	2,663.37	414,765.52	1,210,522.00
NET INC/(LOSS) AFTER FINANCIAL EXPENSES		67,993.59	57,586.00	10,407.59	267,832.63	213,000.00	54,832.63	230,426.21	650,025.00
ADJUSTMENTS TO NET INCOME/LOSS									
Capitalized Expenses	7000	0.00	0.00	0.00	(1,760.00)	0.00	1,760.00	6,727.43	0.00
Nonrecurring Expenses	7002	(2,300.00)	0.00	2,300.00	0.00	0.00	0.00	0.00	0.00
Asset Mgmt/Ptship Admin Fee	6800	2,060.00	2,060.00	0.00	8,120.00	8,240.00	120.00	7,500.00	24,720.00
TOTAL ADJUSTMENTS		(240.00)	2,060.00	2,300.00	6,360.00	8,240.00	1,880.00	14,227.43	24,720.00
DEPRECIATION AND AMORTIZATION									
Depreciation Expense	6600	67,297.30	67,297.00	(0.30)	269,189.20	269,188.00	(1.20)	269,189.16	807,567.00
TOTAL DEPRECIATION AND AMORTIZATION		67,297.30	67,297.00	(0.30)	269,189.20	269,188.00	(1.20)	269,189.16	807,567.00
NET INCOME(LOSS)		936.29	(11,771.00)	12,707.29	(7,716.57)	(64,428.00)	56,711.43	(52,990.38)	(182,262.00)

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

		Current Month	Year to Date
BALANCE SHEET			
ASSETS:			
CASH			
Petty Cash	1110	\$0.00	\$750.00
Cash - Operating Acct	1120	(3,378.50)	172,403.81
Total Cash		(3,378.50)	173,153.81
ACCT RECEIVABLE:			
Tenant Accounts Receivable	1130	6,654.72	20,207.86
Subsidy Acct Receivable	1135	2,903.00	2,380.00
Total Accounts Receivable		9,557.72	22,587.86
OTHER CURRENT ASSETS			
Other Accounts Receivable	1140	(16,610.96)	0.00
Deposits & Misc Current Assets	1190	0.00	2,450.00
Total Other Current Assets		(16,610.96)	2,450.00
TENANT SECURITY DEP			
Cash-Tenant Security Dep	1191	2,351.42	81,163.92
Total Tenant Security Dep		2,351.42	81,163.92
PREPAID ITEMS			
Prepaid Real Estate Taxes	1200	(18,118.31)	36,236.62
Prepaid Insurance	1201	869.83	13,047.49
Total Prepaid Items		(17,248.48)	49,284.11
RESTRICTED DEPOSITS			
Tax & Ins Escrow Cash Account	1310	19,024.24	152,193.92
Replacement Reserve Cash #1	1320	6,096.67	152,924.98
General Operating Reserve #1	1126	(123,165.02)	44,787.28
Other Restricted Reserves	1330	0.00	137,794.57
Total Restricted Deposits		(98,044.11)	487,700.75
FIXED ASSETS			
Land	1410	0.00	5,259,200.00
Buildings	1420	0.00	30,740,800.00
Building Improvements	1425	0.00	613,887.00
Unit Furnishing	1460	0.00	331,785.03
Accumulated Depreciation	1495	(67,297.30)	(2,677,152.59)
Total Fixed Assets		(67,297.30)	34,268,519.44
NON-CURRENT ASSETS			
TOTAL ASSETS			
		(190,670.21)	35,084,859.89
LIABILITIES:			
ACCOUNTS PAYABLE and			
ACCRUED EXPENSES			
Accounts Payable Operations	2110	47,582.38	72,955.96
Accrued Expenses	2115	(27,088.13)	4,090.50
Other Accounts Payable	2116	0.00	80,000.00
Payroll Payable(InterCompany)	2120	(48,848.89)	18,997.18
Management Fee Payable	2121	(9,281.29)	8,296.17
Total A/P & Accrued Expenses		(37,635.93)	184,339.81
ACCRUED INT PAYABLE			
Accrued Interest Payable -1st Mortgage	2131	(665.32)	89,415.73
Accrued Interest Payable - 3rd Mortgage	2133	(46,907.51)	17,048.89
Accrued Interest Payable - 4th Mortgage	2134	(62,109.96)	51,245.15
Total Accrued Interest Payable		(109,682.79)	157,709.77
TENANT SEC DEP LIABILITY			

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

		Current Month	Year to Date
Tenant Security Deposit Liability	2191	1,850.00	75,435.14
Security Deposit Refund Due	2192	1,165.16	1,165.16
Security Deposit Accrued Interest	2193	(30.16)	3,865.03
Total Tenant Sec Dep Liability		2,985.00	80,465.33
DEFERRED REVENUE			
MORTGAGE PAYABLE			
First Mortgage Payable	2320	(56,632.08)	30,310,418.13
Third Mortgage Payable	2323	0.00	1,705,709.00
Fourth Mortgage Payable	2324	9,359.30	2,773,224.00
Total Mortgage Payable		(47,272.78)	34,789,351.13
DUE TO PARTNERS			
TOTAL LIABILITIES		(191,606.50)	35,211,866.04
PARTNERS' EQUITY			
Partners' Equity	3000	0.00	(119,289.58)
Current Year Income or Loss	4000:8999	936.29	(7,716.57)
Total Partners' Equity		936.29	(127,006.15)
TOTAL LIAB & EQUITY		(190,670.21)	35,084,859.89

507 FIRESIDE PARK APARTMENTS

For the Four Months Ending Saturday, April 30, 2016

		Current Month	Year to Date
OTHER CASH ACTIVITY STATEMENT			
Mortgage Principal Payments			
Principal Paid First Mortgage	8001	<u>\$56,632.08</u>	<u>\$225,530.85</u>
Total Principal Payments		56,632.08	225,530.85
Tax & Insurance Escrow			
Required Tax & Ins Escrow	8150	14,783.30	165,240.00
Over(Under) Escrow Req	8151	<u>4,240.94</u>	<u>(13,046.08)</u>
Total Tax & Insurance Escrow		19,024.24	152,193.92
Replacement Reserve Escrow			
Annual Required Deposit			
Monthly Deposit Amount			
Requirement per Reg Agreement			
Replacement Reserve Activity			
Beg of Year R&R Cash Balance	8260	0.00	130,838.30
Current Year R&R Deposits	8270	6,096.67	24,386.68
Current Year R&R Withdrawals	8290	<u>0.00</u>	<u>(2,300.00)</u>
Bal of Replacement Reserve		<u>6,096.67</u>	<u>152,924.98</u>
Net Over (Under) Reserve Req		<u>6,096.67</u>	<u>152,924.98</u>
Total Other Cash Activity			
Other Cash Activity Offset	8999	<u>81,752.99</u>	<u>530,649.75</u>
		<u>(81,752.99)</u>	<u>(530,649.75)</u>

RHEP

Financial Report

Month ending April 2016

RHE PROP
Admin Cash Flow
For the Four Months Ending April 30, 2016

	Current Month	Year to Date
Revenues		
DWELLING RENT	\$ 3,531.00	\$ 17,553.00
SECTION 8 SUBSIDIES	1,192.00	4,781.00
OTHER TENANT REVENUE	61.50	61.50
	<hr/>	<hr/>
Total Revenues	4,784.50	22,395.50
	<hr/>	<hr/>
Gross Profit	4,784.50	22,395.50
	<hr/>	<hr/>
Expenses		
MORT - FALLS GROVE-9001	196.93	805.82
MORT - JAY DRIVE-9002	-	580.64
MORT - GARDENVIEW-9003	148.72	617.98
MORT - CORK TREE-9004	148.26	616.14
OFFICE EXPENSES - UTILITIES	95.34	95.34
APPLIANCES	259.00	259.00
PLUMBING CONTRACTS	-	640.00
UNIT TURNAROUND	34.99	34.99
INTEREST EXPENSE	1,225.21	5,823.16
ASSOCIATION FEES	1,385.80	5,543.20
CAPITAL IMPROVEMENT	-	585.00
AUDITING FEES	-	84.00
SUPPLIES EXPENSE	82.57	82.57
	<hr/>	<hr/>
Total Expenses	3,576.82	15,767.84
	<hr/>	<hr/>
Net Income	\$ 1,207.68	\$ 6,627.66
	<hr/>	<hr/>

RHE PROP
Income Statement
For the Four Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
3110.00	DWELLING RENT	\$ 3,531.00	\$ 17,553.00
3140.00	SECTION 8 SUBSIDIES	1,192.00	4,781.00
3690.01	OTHER TENANT REVENUE	61.50	61.50
		<hr/>	<hr/>
	Total Revenues	4,784.50	22,395.50
		<hr/>	<hr/>
	Gross Profit	4,784.50	22,395.50
		<hr/>	<hr/>
Expenses			
4180.01	OFFICE EXPENSES - UTILITIES	95.34	95.34
4420.10	APPLIANCES	259.00	259.00
4430.08	PLUMBING CONTRACTS	0.00	640.00
4430.51	UNIT TURNAROUND	34.99	34.99
4580.00	INTEREST EXPENSE	1,225.21	5,823.16
4590.00	ASSOCIATION FEES	1,385.80	5,543.20
4610.01	CAPITAL IMPROVEMENT	0.00	585.00
6171.00	AUDITING FEES	0.00	84.00
6184.00	SUPPLIES EXPENSE	82.57	82.57
		<hr/>	<hr/>
	Total Expenses	3,082.91	13,147.26
		<hr/>	<hr/>
	Net Income	\$ 1,701.59	\$ 9,248.24
		<hr/>	<hr/>

RHE PROP
Balance Sheet
April 30, 2016

ASSETS

Current Assets

1111.01	RHE PROP GEN FUND	\$ 5,855.54
1122.00	ACCOUNTS RECEIVABLE TENANTS	21,272.65
1122.01	ALLOW FOR DOUBTFUL ACCOUNTS	(932.80)
1211.00	PREPAID INSURANCE	170.10
1290.00	OTHER	850.00

Total Current Assets	27,215.49
----------------------	-----------

Property and Equipment

1450.00	SITE IMPROVEMENTS	7,092.90
1460.07	BUILDINGS	462,077.96
1465.01	DWELLING EQUIPMENT	4,444.88
1499.01	ACC. DEPR. BUILDINGS	(46,946.17)
1499.02	ACC. DEPR. PERSONAL PROERTY	(444.49)
1499.03	ACC. DEPR. SITE IMPROVEMENTS	(472.86)

Total Property and Equipment	425,752.22
------------------------------	------------

Other Assets

Total Other Assets	0.00
--------------------	------

Total Assets	\$ 452,967.71
--------------	---------------

LIABILITIES AND CAPITAL

Current Liabilities

2111.00	ACCOUNTS PAYABLE - VENDORS	\$ 630.00
2114.00	TENANTS SECURITY DEPOSITS	564.81
2119.01	ACCOUNTS PAYABLE - HCV	2,347.80
2120.00	AP - DUE TO PH	(220.00)
2130.00	ACCRUED INT PAYABLE	488.93
2240.00	TENANT UNEARNED REVENUE	13.00

Total Current Liabilities	3,824.54
---------------------------	----------

Long-Term Liabilities

2320.01	MORTGAGE PAYABLE - FALLSGRO	89,743.80
2320.02	MORTGAGE PAYABLE - JAY DRIVE	85,606.35
2320.03	MORTGAGE PAYABLE - GARDEN VI	85,800.73
2320.04	MORTGAGE PAYABLE - CORK TREE	85,994.08

Total Long-Term Liabilities	347,144.96
-----------------------------	------------

Total Liabilities	350,969.50
-------------------	------------

Capital

2802.01	INVESTED IN CAPITAL ASSETS	78,395.88
2806.01	UNRESTRICTED NET POSITION	14,354.09
	Net Income	9,248.24

Total Capital	101,998.21
---------------	------------

Total Liabilities & Capital	\$ 452,967.71
-----------------------------	---------------

RHE Corp/Dev

Financial Report

Month ending April 2016

RHE DEVELOPMENT CORP
Income Statement
For the Four Months Ending April 30, 2016

		Current Month	Year to Date
Revenues			
	Total Revenues	<u>0.00</u>	<u>0.00</u>
	Gross Profit	<u>0.00</u>	<u>0.00</u>
Expenses			
	4180.01 MISCELLANEOUS	\$ 0.00	\$ 895.95
	7210.11 OTHER TAXES	<u>0.00</u>	<u>71.75</u>
	Total Expenses	<u>0.00</u>	<u>967.70</u>
	Net Income	<u>\$ 0.00</u>	<u>\$ (967.70)</u>

RHE DEVELOPMENT CORP
Balance Sheet
April 30, 2016

ASSETS

Current Assets

1111.01	GENERAL FUND	\$	28,970.62	
1129.05	ACCOUNTS RECEIVABLE-INTERFUN		27,195.17	
1129.06	ACCOUNTS RECEIVABLE - LOW RE		(21,649.20)	
1129.07	ACCOUNTS RECEIVABLE - FIRESIDE		80,000.00	
1130.00	NOTES RECEIVABLE - LEGACY		1,585,980.00	
Total Current Assets				1,700,496.59

Property and Equipment

Total Property and Equipment	0.00
------------------------------	------

Other Assets

1145.00	ACCRUED INTEREST		74.47	
1162.05	CERTIFICATES OF DEPOSIT		200,600.89	
1162.06	INVESTMENT IN RELP		789.00	
Total Other Assets				201,464.36
Total Assets			\$	1,901,960.95

LIABILITIES AND CAPITAL

Current Liabilities

2111.00	ACCOUNTS PAYABLE - VENDORS	\$	525.00	
2119.01	ACCOUNTS PAYABLE - RELP		23,414.00	
2119.02	A/P - FIRESIDE PARK RESERVE		80,000.00	
Total Current Liabilities				103,939.00

Long-Term Liabilities

Total Long-Term Liabilities	0.00
Total Liabilities	103,939.00

Capital

2806.01	UNRESTRICTED NET POSITION		1,598,388.76	
2806.02	RESTRICTED NET POSITION		200,600.89	
	Net Income		(967.70)	
Total Capital				1,798,021.95
Total Liabilities & Capital			\$	1,901,960.95

TAB 4

TENANT ACCOUNTS RECIEVABLE And RE-EXAM REPORT

PUBLIC HOUSING

REEXAMINATIONS

Annual Reexaminations Scheduled (Effective April 1, 2016)	26
Annual Reexaminations Completed (Effective April 1, 2016)	26
Late Annual Reexaminations Completed	0
Late Annual Reexaminations to be Completed	0
Interim Reexaminations Completed	4
PIC Submission Rate as of April 30, 2016	100%

Comments: *None at this time.*

TENANT ACCOUNTS RECEIVABLE (TARs)

TARs as of 4/30/16	\$ 8,885.89 (not including delinquent move-outs) There were 17 households processed through the courts. Reprieves were given to 13 households owing less than \$50.
Total TAR balance as of 5/11/2016	\$ 7,227.77
Repayment Agreements Executed	\$ 0.00
# Tenants Delinquent as of 4/30/16	30
# Summons Issued	17 (for April 2016 rent)
# Writs Issued	0

Comments: One eviction was completed in the month of April.

PUBLIC HOUSING MANAGEMENT REPORT

Period: April 1-30, 2016

OCCUPANCY

<u>Total PH Units</u>	<u># Vacant – 2/29/16</u>	<u># Vacant 3/31/16</u>	<u>#Move-Ins</u>	<u>#Move-Outs</u>	<u># Vacant – 4/30/16</u>
108	5	4	0	25	6

% Units Occupied as of 3/31/16 96%

% Units Occupied as of 4/30/16 94%

APPLICATION PROCESSING

Processed – Unit Assigned/Move-In This Month 0

Processed - Unit Assigned/Move-in Next Month 4

Processed – Waiting for Unit Assignment 17

Processing in Progress/Not Complete 80

Comments

Applicants are continually being processed for future vacancies.

VACANT UNIT PREPARATION

<u>#Vacant – 3/31/15</u>	<u>#Units Made Ready</u>	<u>#Units Make Ready in Progress</u>
6	4	1

Comments

List addresses of vacant units end of April:

1302 First Street, 1313 First Street, 1314 First Street, 328 Lincoln Avenue, 1204 First Street, 13303 Midway Avenue

OTHER LEASE ENFORCEMENT ACTIVITIES

Lease Violation Notices 2

Summons Issued 17

Writs Issued **Court cases have not happened.**

Comments: *None at this time.*

EVICTIONS

Non-payment of Rent 0

Other lease violations 1

Comments: *1204 First Street evicted, Tenant holding over.*

WORK ORDER COMPLETION

	<u># Incomplete</u> <u>3/31/16</u>	<u># Received</u>	<u># Completed</u>	<u># Incomplete</u> <u>4/30/16</u>
PH units	0	70	70	0
RELP	0	18	18	0
RHE Prop	0	8	8	0

Comments

PREVENTIVE MAINTENANCE ACTIVITIES: Filter Changes for 55 RELP units and 4 RHEP units.

TENANT ACCOUNTS RECEIVABLE (TAR)

REL 56 units

TARs as of 4/30/2016 **\$ 6,721.00** (not including delinquent move-outs) There were 4 household processed through the courts.

Total TAR balance as of 5/11/2016 **\$ 4,598.00**

Repayment Agreements Executed \$ 0

Summons Issued **4** (for April rent) reprieves were given to 5 households owing less than \$50.00

Writs Issued **0**

Comments:

RELP ONE MONTHLY COMPLIANCE REPORT

The undersigned, as the authorized representative of the RELP One, hereby certifies that for the month recorded, (i) the following number of units in the Development were occupied by Lower Income Tenants and (ii) the following number and percentages of dwelling units in the Development were either occupied by Lower Income Tenants or were held vacant and available to such occupancy for all or part of such period:

MONTH: April

YEAR: 2016

Tax Credit Qualified Residents
100% @ 60% AMI
(56 Units)

Last Month	56
# Move-Ins	0
# Move-Outs	1
Total Units Occupied	55
# Units Vacant (available)	1
% of Total Units Occupied/Available	98% / 2%

Jessica Anderson

5/10/16

Signature of Owner's Authorized Representative

Date

TENANT ACCOUNTS RECEIVABLE (TARs)

RHEP 4 units

TARs as of 4/30/2016	\$ 0 (not including delinquent move-outs) 0
Total TAR balance	\$ 0 (not including delinquent move-outs) 0
Repayment Agreements Executed	\$ 0
 # Tenants Delinquent as of 4/30/2016	 0
# Summons Issued	0
 # Writs Issued	 0
Comments:	

RHEP MONTHLY COMPLIANCE REPORT

MONTH: April YEAR: 2016

Last Month	3
# Move-Ins	0
# Move-Outs	1
Total Units Occupied	3
# Units Vacant (available)	1
% of Total Units Occupied/Available	75% / 25%

Jessica Anderson

5/10/16

Signature of Owner's Authorized Representative

Date

TAB 5

CALENDAR YEAR 2016 LEASING, HAP AND ADMIN FEE UTILIZATION

HA Name	HA Number
---------	-----------

Rockville Housing Enterprises
MD 007

	Unit Months Leased (excluding DVP)	Unit Months Available (excluding DVP)	Over/(Under) Leased
Jan	371	359	12
Feb	387	359	28
Mar	381	359	22
Apr	379	359	20
May			0
Jun			0
Jul			0
Aug			0
Sep			0
Oct			0
Nov			0
Dec			0
	1,518	1,436	82

Leased Percentage -- 105.71%

HAP Funding (excluding DVP)	HAP Cost (excluding DVP)	HAP Share of Fraud Recovery	FSS Escrow Forfeitures	Other Adj to HAP Reserve
\$407,986.00	\$ 394,245			
\$395,089.00	\$479,669.00			
\$395,089.00	\$ 425,711			
\$436,340.00	\$ 434,239			
\$1,634,504	\$1,733,864	\$0	\$0	\$0

HAP Utilization -- 106.08%

Homeownership Coordinator Report
By Susan A. Cheney
May 12, 2016
For month of April, 2016

Legacy at Lincoln Park, RHE Homeownership, Money Management and Credit
Counseling Programs and MPDU Purchases

Legacy at Lincoln Park

- The townhouse at Legacy offered for sale at \$400,000 is now under contract. This is a positive sign for the sales market at Legacy, since the property did not linger unsold for long.
- All three of the Housing Choice Voucher purchasers at Legacy who took out a REACH loan in 2007 and 2008 have repaid their total loan amounts within the designated 7-year time period. These special 2nd trust loans are dedicated to first time homebuyers purchasing within the city limits of Rockville.

Homeownership, Credit Counseling and Money Management

- We now have three families on the City of Rockville MPDU waiting list for purchasing a home. We are also still waiting for word from the City as to when the MPDUs at the new subdivision in King Farm will be offered to the families on the list.
- We shall be holding our Homebuyer Workshop on May 17th. The discussion will include topics such as preliminary preparations for buying a home, self-assessment of readiness, mortgage applications, special City of Rockville and Montgomery County programs for first time home buyers and general procedures.

TAB 6

FIRESIDE PARK APARTMENTS MONTHLY COMPLIANCE REPORT

As the authorized representative of the Fireside Park Apartments, hereby certifies that for the month recorded, (i) the following number of units in the Development were occupied by Lower Income Tenants and (ii) the following number and percentages of dwelling units in the Development were either occupied Very Low Income Tenants or were held vacant and available to such occupancy for all or part of such period:

MONTH: April 30 YEAR: 2016

	Affordable @ 50% AMI	Affordable @ 60% AMI	Affordable @ 80% AMI	Market	Total
Total Units	10	84	24	118	236
Occupied Last Month 3/31/16	10	78	15	111	212
# Move-Ins	0	0	9	0	9
# Move-Outs	0	0	1	1	2
Total Units Occupied	10	78	23	110	219
# Units Vacant	0	6	1	10	17
% of Total Units Occupied	100%	92.86%	95.83%	93.22%	92.80%
Renewals					

Fireside Park Apartments

EXECUTIVE SUMMARY

ASSET SUMMARY

LOCATION	Rockville, Maryland	REPORT MONTH	April 2016
YEAR BUILT	1961	NUMBER OF UNITS	236

CURRENT LEASING STATUS BOX SCORE

	ACTUAL	BUDGET	VARIANCE
OCCUPANCY %	92.8%	94.00%	1.2%
LEASE %	94%	94.00%	0%
AVERAGE MARKET RENT - \$	\$1547	\$1547	\$0.00
AVERAGE MARKET RENT - PSF	\$1.95	\$1.95	\$0.00
AVERAGE MAX RENT - \$	\$1547	\$1547	\$0.00
AVERAGE MAX RENT - PSF	\$1.95	\$1.95	\$0.00
CHANGE IN RENT FROM PRIOR MONTH	<i>Conventional Units \$1250-1bdrm \$1530-2bdrm \$1860-3bdrm</i>		
CURRENT CONCESSION	<i>5% discount for Military, Police, Fire Personnel, and Montgomery County /City of Rockville employees</i>		
CHANGE IN CONCESSION FROM PRIOR MONTH	<i>\$500 Security Deposit, \$25 Application Fee</i>		

MONTH'S HIGHLIGHTS

- April 2016, Move In budget 8 actual move-ins 9.
- April 2016 Move out budget 6 actual 2.
- 67 leads and 48 visiting prospects resulted in 18 applications for a closing ratio of 37.5%.

SUBMARKET SNAPSHOT

There are 6 competitors in the surveyed subset. The average market rent in the defined submarket is reported at \$1,519, or \$1.72/sf. Fireside Park's current market rent is \$1,547 or \$1.95/sf. based on Market priced units.

SALES & TRAFFIC

Primary sources of traffic for April 2016 were:

- ForRent.com accounted for 0 leads or 0% of traffic.
- Apartment Guide accounted for 21 leads or 31% of traffic.
- Craigslist accounted for 13 leads or 19% of traffic.
- Drive bys-5 leads or 7% of traffic.
- Other accounted for 2 leads or 3% of traffic.
- Google accounted for 2 leads or 3% of traffic
- Housing accounted for 3 leads or 4% of traffic
- Agency accounted for 1 lead or 1% of traffic
- Humphrey Website accounted for 0 leads or 0.00% of traffic
- Referrals accounted for 2 leads or 3% of traffic
- Rent.com accounted for 17 leads or 25%
- Zillow accounted for 3 leads or 4%
- Mynewplace.com accounted for 0 of leads 0.00%
- Apt.com accounted for 0 leads for 0.00%
- Hot pads accounted for 0 leads or 0.00%
- Trulia accounted for 0 leads for 0.00%
- Move.com accounted for 0 leads for 0.00%

CURRENT ADVERTISING SOURCES

Complete list of lease sources:

- Firesidepark.com
- Rockville Housing
- Resident referral program (\$350.00)
- Banner at Community Entrance (2nd)
- Craigslist (3 Cities)
- ApartmentGuide.com
- ForRent.com
- Humphreymanagement.com
- Outreach Flyers
- On-line Advertisement-Rockville Chamber of Commerce
- Zillow
- Rent.com
- Mynewplace.com
- Apartments.com
- Hotpads
- Trulia
- Periscope
- Move.com
- AHRN

ADDITIONS TO SOURCES OVER PRIOR MONTH

- New Outreach flyers to Service Providers (fire, police, teachers, etc) and Montgomery County/City of Rockville offices
- New Resident Referral flyers to all residents

PLANNED ADVERTISING SOURCES

- Open House
- Mobile Mini Model
- 1st 10 applications received by May 31st pays \$99 Security Deposit

TURNOVER

April 2016 Move Out Stats: Budget 6- Actual 2:

<i>Reason of vacating</i>	<i>Current</i>	
	<i>Month</i>	<i>YTD</i>
	#	#
<i>Increase in Family Size</i>	1 Conventional	1
<i>Loss of Job</i>		2
<i>Other/Unknown</i>		2
<i>Home Purchase</i>	1 Affordable (inheritance)	3
<i>Relocation for Work</i>		3
<i>Considered Rent too High</i>		
<i>Disliked Environment</i>		1
<i>Owner Initiated-Non payment</i>		3
<i>Relocated out of area</i>		
<i>Death</i>		2
<i>Total Move-outs</i>	13	17

RENEWALS, RECERTS & RESIDENT RETENTION

	<i>Current Month</i>		<i>30 Days Out</i>		<i>60 Days Out</i>	
	#	%	#	%	#	%
<i>Total Lease Expirations</i>	4	1.82%	13	5.91%	10	4.55%
<i>Notices to Vacate</i>	0	0%	5	3.84%	6	60%
<i>Renewed</i>	4	100%	8	6.15%	4	40%
<i>Month to Month</i>	0	0%	0	0.00%	0	0%
<i>Outstanding</i>	0	0%	0	0.00%	0	0%

DELINQUENCY

\$10,161-April 2016

PROPERTY INCIDENTS

- Flooding due to heavy rain-737-103-Water re-directed by repositioning/adding extensions to downspouts

MAJOR MAINTENANCE ITEMS AND/OR CAPITAL IMPROVEMENTS

- Balcony Repairs-completed –passed inspection and citation paid
- Alarm Battery for 731-purchased
- REAC-Score 99 a
- Exterior Painting contract executed
- Tree removal proposal executed
- Jet Blast sewer lines contract executed

STAFFING

- CM resignation effective 3/22/16-Interviews in progress
- Maintenance tech position vacant

MISCELLANEOUS ISSUES

Resident Services

- Planned-breakfast 2 Go
- Pool passed county inspection

TAB 7

RHE Audit Report
FYE 9-30-2015

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

**MANAGEMENT'S DISCUSSION & ANALYSIS
AND AUDITED FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	Page
Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information – State or Local Governmental Entity	1-2
Management's Discussion & Analysis	3-9
FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses, & Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-26
SINGLE AUDIT SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	27-28
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB A-133	29-30
Status of Prior Audit Findings	31
Schedule of Findings and Questioned Costs	32-34
SUPPLEMENTAL INFORMATION	
Financial Data Submission Summary – Statement of Net Position Accounts	35-36
Financial Data Submission Summary – Statement of Revenue, Expenses, & Changes in Net Position Accounts	37-38
Financial Data Submission Summary – Statement of Net Position Accounts Combining Blended Component Units	39-40
Financial Data Submission Summary – Statement of Revenue, Expenses, & Changes in Net Position Accounts – Combining Blended Component Units	41-43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rockville Housing Enterprises
Rockville, Maryland

Baltimore Field Office
Public Housing Division
10 South Howard Street
5th Floor
Baltimore, MD 21201

Report on Financial Statements

We have audited the accompanying financial statements of the Rockville Housing Enterprises as of and for the year ended September 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rockville Housing Enterprises, as of September 30, 2015, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Rockville Housing Enterprises. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Financial Data Schedules required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
March 10, 2015

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

**ROCKVILLE HOUSING ENTERPRISES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Management's Discussion and Analysis

The management of Rockville Housing Enterprises (RHE) offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended September 30, 2015. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual program issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) to allow the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of September 30, 2015.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,645,316 (net position) as opposed to \$6,193,400 for the prior fiscal year.
- The Authority's cash and investments balance as of September 30, 2015 was \$975,879 representing an increase of \$18,756 or 1.96% from September 30, 2014.
- The Authority had total revenues of \$7,018,811 and total expenses of \$7,566,895 for the year ended September 30, 2015.

Overview of the Financial Reports

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. MD&A
Serves as an introduction to the Authority's basic financial statements
- II. Basic Financial Statements
Authority-wide financial statements
Notes to the financial statements
- III. Other Supplementary Information

The financial statements in this report are those of a special purpose governmental entity engaged in a business type activity. The following statements are included:

- Statement of Net Position – presents information about the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "non-current." Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- Statement of Revenues, Expenses, & Changes in Net Position – reports the Authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, and capital and related financing activities.

Our analysis of the Authority as a whole follows with the most important question, "Has the Authority's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

Analysis of Authority-wide Net Position (Statement of Net Position)

Rockville Housing Enterprises
Comparative Statement of Net Position
TABLE I

	2015	2014	Total Change	% Change
Cash & Investments	\$ 975,879	\$ 957,123	\$ 18,756	1.96%
Other Current Assets	112,965	264,593	(151,628)	-57.31%
Capital Assets	3,725,902	4,095,998	(370,096)	-9.04%
Other Noncurrent Assets	<u>1,604,606</u>	<u>1,625,779</u>	<u>(21,173)</u>	-1.30%
Total Assets	\$ <u>6,419,352</u>	\$ <u>6,943,493</u>	\$ <u>(524,141)</u>	-7.55%
Current Liabilities	\$ 271,116	\$ 242,079	\$ 29,037	11.99%
Noncurrent Liabilities	<u>502,920</u>	<u>508,014</u>	<u>(5,094)</u>	-1.00%
Total Liabilities	<u>774,036</u>	<u>750,093</u>	<u>23,943</u>	3.19%
Net Investment in Capital Assets	3,376,254	3,738,269	(362,015)	-9.68%
Restricted	434,178	425,816	8,362	1.96%
Unrestricted	<u>1,834,884</u>	<u>2,029,315</u>	<u>(194,431)</u>	-9.58%
Total Net Position	<u>5,645,316</u>	<u>6,193,400</u>	<u>(548,084)</u>	-8.85%
Total Liabilities & Net Position	\$ <u>6,419,352</u>	\$ <u>6,943,493</u>	\$ <u>(524,141)</u>	-7.55%

Total assets decreased by \$524,141 or 7.55%. This decrease was due to decreases in other current assets, capital assets and other noncurrent assets. Other current assets decreased by \$151,628 or 57.31% due to a decrease of \$64,680 or 41.38% in the expected portion of current notes receivable in the upcoming year. There were also decreases in accounts receivable – HUD other projects of \$33,645 or 85.07% and accounts receivable – miscellaneous of \$31,995 or 94.51% which is due to the timing of receivables at year end. Capital assets decreased by \$370,096 or 9.04% due to depreciation expense exceeding additions during the current fiscal year. This is presented with more detail in the capital assets section of this report. Other noncurrent assets decreased by \$21,173 or 1.30% due to the repayment of notes receivable. Cash and investments increased slightly by \$18,756 or 1.96%.

Total liabilities increased by \$23,943 or 3.19%, due to an increase in current liabilities of \$29,037 or 11.99% due to increases in accrued wages payable or \$12,898 or 51.56% and accounts payable – HUD PHA Programs of \$11,694 or 23.20% which is due mainly to timing differences at year end. The current portion of accrued compensated absences also increased by \$20,195 or 69.81%. Noncurrent liabilities decreased by \$5,094 or 1.00% mainly due to the payment of outstanding debt.

Total Net Position decreased by \$548,084 or 8.85%, which is outlined in detail on the Statement of Revenues, Expenses, and Changes in Net Position.

Analysis of Entity-Wide Revenue and Expenses (Statement of Revenues, Expenses, and Changes in Net Position)

The federal government continued to fund operating grants at a level below total eligibility for the period ended September 30, 2015. With no signs of improvement in federal funding or economic conditions in the foreseeable future, the Authority is now using proactive measures to control expenses in future years by adopting a plan to review staff responsibilities and implementing cost management strategies. The Authority continuously looks for new ways to improve operations, control costs, maximize effectiveness, and demonstrate accountability. The following table illustrates changes in revenues and expenses from FY2014 to FY2015.

Rockville Housing Enterprises
Comparative Statement of Revenues, Expenses and Changes in Net Position
TABLE II

	2015	2014	Total Change	% Change
Revenue				
Tenant Revenue	\$ 545,363	\$ 499,807	\$ 45,556	9.11%
Grant Funding	6,291,569	6,467,688	(176,119)	-2.72%
Interest income	1,960	2,000	(40)	-2.00%
Other Income	179,919	445,662	(265,743)	-59.63%
Total Revenue	7,018,811	7,415,157	(396,346)	-5.35%
Expenses				
Administration	1,126,533	1,109,531	17,002	1.53%
Tenant Services	1,038	687	351	51.09%
Utilities	168,370	145,403	22,967	15.80%
Maintenance	237,387	352,377	(114,990)	-32.63%
Protective services	2,872	4,526	(1,654)	-36.54%
General expense	259,472	323,764	(64,292)	-19.86%
Housing assistance payments	5,382,345	5,496,814	(114,469)	-2.08%
Interest Expense	18,782	17,604	1,178	6.69%
Depreciation	370,096	394,322	(24,226)	-6.14%
Total Expenses	7,566,895	7,845,028	(278,133)	-3.55%
Net Position				
Change in Net Position	(548,084)	(429,871)	(118,213)	27.50%
Equity Transfer	0	(174,237)	174,237	-100.00%
Prior period adjustment	0	(52,990)	52,990	-100.00%
Beginning Net Position	6,193,400	6,850,498	(657,098)	-9.59%
Ending Net Position	\$ 5,645,316	\$ 6,193,400	\$ (548,084)	-8.85%

During the year, total revenue decreased by \$396,346 or 5.35% due to decreases in grant funding and other income. Grant funding decreased by \$176,119 or 2.72% which is primarily due to a decrease in other government grants of \$134,661 or 100.00%. Interest income decreased by \$40 or 2.00% due to normal fluctuations of rates and principal balances. Other income decreased by \$265,743 or 59.63% which is primarily due to a decrease in portability revenue in the HCV program. Tenant revenue increased by \$45,556 or 9.11%.

Total expenses decreased by \$278,133 or 3.55% from FY2014 to FY2015. Administrative expenses increased by \$17,002 or 1.53% during FY2015. This increase was caused by increases in salaries and benefits of \$40,386 or 5.21% due to raises being given to staff in FY2015 and incentive pay. This was offset by decreases in legal expense and other operating expenses in the amounts of \$17,742 or 54.19% and \$21,172 or 30.91%, respectively.

Tenant services increased by \$351 or 51.09%, which is due to the annual fluctuation of available resident services.

Utilities expense increased by \$22,967 or 15.80%. The increases were mainly due to water, electric, and sewer expenses being higher due to seasonal fluctuations and increased rates.

Maintenance expense decreased significantly by \$114,990 or 32.63% due to decreases in most line items which is due the switch from the use of a maintenance contractor to in house maintenance staff beginning in FY2014. This trend continued in FY2015. This is also due to the receipt of minimal capital funding received during the year.

Protective services decreased by \$1,654 or 36.54% due to a one-time initial installation fee for the security system at the Community Center in FY2014.

General expenses decreased by \$64,292 or 19.86% due mainly to the reduction in bad debt of \$22,011 or 21.79%, incurred for the write off of second mortgages belonging to RHE Corporation.

HAP expense decreased by \$114,469 or 2.08% which is mainly attributable to a reduction in portability payments in the Housing Choice Voucher program.

Interest expense increased by \$1,178 or 6.69%.

Capital Assets

During FY2015 the Authority did not capitalize any assets due to the receipt of minimal capital funding. Additionally, depreciation expense was \$370,096, a decrease of \$24,226 or 6.14% from FY2014. Overall this was the only change in the capital asset accounts, resulting in decrease of capital assets for FY2015 in the amount of \$370,096 or 9.04%.

Rockville Housing Enterprises
Comparative Statement of Capital Assets
TABLE III

	2015	2014	Total Change	% Change
Land	\$ 425,575	\$ 425,575	\$ 0	0.00%
Buildings & improvements	11,654,173	11,654,173	0	0.00%
Furniture & Equipment	273,481	273,481	0	0.00%
	12,353,229	12,353,229	0	0.00%
Accumulated Depreciation	(8,627,327)	(8,257,231)	(370,096)	4.48%
Total Capital Assets	\$ 3,725,902	\$ 4,095,998	\$ (370,096)	-9.04%

The following activities affected the capital asset balances during the fiscal year:

Balance as of October 1, 2014	\$ 4,095,998
Depreciation Expense	<u>(370,096)</u>
Balance as of September 30, 2015	<u>\$ 3,725,902</u>

Debt Outstanding

As of the year-end, the Authority had outstanding long-term debt of \$349,648; a reduction of \$8,081 or 2.26% from FY2014.

Description	Beginning Balance	Issued	Retired	Ending Balance	Within One Year
343 Fallsgrove Drive	\$ 93,052	\$ -	\$ 2,328	\$ 90,724	\$ 2,501
219 Jay Drive	88,384	-	2,220	86,164	2,386
722 Garden View Drive	88,158	-	1,764	86,394	1,947
229 Cork Tree Lane	88,135	-	1,769	86,366	1,953
	<u>\$ 357,729</u>	<u>\$ -</u>	<u>\$ 8,081</u>	<u>\$ 349,648</u>	<u>\$ 8,787</u>

Economic Factors

Several significant economic factors are present that may impact the Authority in the future.

- Congressional funding of the Department of Housing and Urban Development, including any subsidy proration.
- The expiration of the frozen formula income provision has substantially decreased operating subsidy eligibility.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- Health care and other insurance costs are expected to increase dramatically over the next several years especially due to the Affordable Care Act.

Financial Contact

Questions concerning any of the information provided in this Management's Discussion & Analysis should be addressed to:

Jessica Anderson, Executive Director
Rockville Housing Enterprises
621 A. Southlawn Ave.
Rockville, MD 20850-1456
(301) 424-6265

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

LIABILITIES & NET POSITION

	PRIMARY GOVERNMENT September 30, 2015	COMPONENT UNIT December 31, 2015	TOTAL (Memorandum Only)
<u>Current Liabilities</u>			
Accounts payable	\$ 83,269	\$ 203,689	\$ 286,958
Accrued liabilities	88,563	233,272	321,835
Tenant security deposits	52,640	78,114	130,754
Unearned revenue	14,443	10,112	24,555
Current portion of long-term debt - capital projects	8,787	774,682	783,469
Other current liabilities	23,414	-	23,414
Total Current Liabilities	271,116	1,299,869	1,570,985
<u>Noncurrent Liabilities</u>			
Long-term debt, net of current - capital projects	340,861	34,240,200	34,581,061
Accrued compensated absences - noncurrent	8,669	-	8,669
Other noncurrent liabilities	153,390	-	153,390
Total Noncurrent Liabilities	502,920	34,240,200	34,743,120
TOTAL LIABILITIES	774,036	35,540,069	36,314,105
<u>NET POSITION</u>			
Net investment in capital assets	3,376,254	(482,351)	2,893,903
Restricted	434,178	-	434,178
Unrestricted	1,834,884	437,884	2,272,768
TOTAL NET POSITION	5,645,316	(44,467)	5,600,849
TOTAL LIABILITIES & NET POSITION	\$ 6,419,352	\$ 35,495,602	\$ 41,914,954

The accompanying notes are an integral part of the financial statements.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	PRIMARY GOVERNMENT	COMPONENT UNIT	TOTAL
	YEAR ENDED		(Memorandum Only)
	September 30, 2015	December 31, 2015	
<u>Operating Revenues</u>			
Dwelling rent	\$ 545,363	\$ 3,698,346	\$ 4,243,709
Governmental grants & subsidy	6,291,569	-	6,291,569
Other income	179,919	-	179,919
Total Operating Revenues	7,016,851	3,698,346	10,715,197
<u>Operating Expenses</u>			
Administration	1,126,533	428,788	1,555,321
Tenant services	1,038	-	1,038
Utilities	168,370	241,905	410,275
Maintenance & operations	237,387	929,275	1,166,662
Protective services	2,872	-	2,872
General expense	259,472	298,104	557,576
Housing assistance payments	5,382,345	-	5,382,345
Depreciation	370,096	812,745	1,182,841
Total Operating Expenses	7,548,113	2,710,817	10,258,930
Net Operating Income/(Loss)	(531,262)	987,529	456,267
<u>Nonoperating Revenue/(Expenses)</u>			
Investment income	1,960	21	1,981
Interest expense	(18,782)	(1,226,126)	(1,244,908)
Net Nonoperating Revenues/(Expenses)	(16,822)	(1,226,105)	(1,242,927)
Increase/(Decrease) to Net Position	(548,084)	(238,576)	(786,660)
Total Net Position - beginning	6,193,400	194,109	6,387,509
Total Net Position - ending	\$ 5,645,316	\$ (44,467)	\$ 5,600,849

The accompanying notes are an integral part of the financial statements.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

STATEMENT OF CASH FLOWS

	PRIMARY GOVERNMENT September 30, 2015	COMPONENT UNIT December 31, 2015	TOTAL (Memorandum Only)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 865,380	\$ 3,446,945	\$ 4,312,325
Governmental grants & subsidy - operations	6,291,569	-	6,291,569
Payments to suppliers	(974,057)	(1,413,748)	(2,387,805)
Payments for housing assistance	(5,382,345)	-	(5,382,345)
Payments to employees	(778,061)	(326,790)	(1,104,851)
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>22,486</u>	<u>1,706,407</u>	<u>1,728,893</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of investments	(150)	-	(150)
Proceeds from notes receivable	21,173	-	21,173
Interest received	1,960	21	1,981
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	<u>22,983</u>	<u>21</u>	<u>23,004</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>			
Payment on mortgage & notes payable	(8,081)	(750,903)	(758,984)
Payment on interest	(18,782)	(1,226,126)	(1,244,908)
NET CASH PROVIDED/(USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(26,863)</u>	<u>(1,977,029)</u>	<u>(2,003,892)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,606	(270,601)	(251,995)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>756,522</u>	<u>924,164</u>	<u>1,680,686</u>
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 775,128</u>	<u>\$ 653,563</u>	<u>\$ 1,428,691</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Operating Income/(Loss)	\$ (531,262)	\$ 987,529	\$ 456,267
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	370,096	812,745	1,182,841
Decrease (Increase) in accounts receivable	134,268	(161,863)	(27,595)
Decrease (Increase) in prepaid charges	17,360	(29,167)	(11,807)
Increase (Decrease) in accounts payable	46	141,237	141,283
Increase (Decrease) in accrued liabilities	26,148	(24,344)	1,804
Increase (Decrease) in unearned revenue	6,753	(7,551)	(798)
Increase (Decrease) in security/trust deposits	(923)	(12,179)	(13,102)
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>\$ 22,486</u>	<u>\$ 1,706,407</u>	<u>\$ 1,728,893</u>

The accompanying notes are an integral part of the financial statements.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction:

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

2. Organization:

Rockville Housing Enterprises ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Maryland for the purpose of providing adequate housing for qualified low-income individuals. The Agency is governed by a Board of Commissioners appointed by the Mayor of the City of Rockville, Maryland, subject to approval by the City Council, and has substantial autonomy. Additionally, the Authority has entered into annual contribution contracts with the U. S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein.

3. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 and 61 of the Government Accounting Standards Board, the Financial Reporting Entity*. Based on these criteria, the following entities are included in the accompanying financial statements:

Rockville Housing Enterprises Corporation - This not-for-profit corporation was established to be the general partner in a low income tax credit project known as RELP One, LP.

RHE Properties, Inc. - Established by Rockville Housing Enterprises to account for properties purchased and other future non-subsidies properties.

RHE Fireside Park, Inc. - Established by Rockville Housing Enterprises to acquire, hold, maintain and operate a 236 unit multi-family apartment known as Fireside Park Apartments. Its financial information is included as of December 31, 2015.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Authority participates in the following joint ventures:

RELP One, LP - This is a limited partnership formed for the purpose of acquiring Moderately Priced Dwelling Units (MPDU). Rockville Housing Enterprises Corporation is the general partner and the Agency is entitled to their respective share of annual operating income or loss. The Authority has a .01% interest in the equity. The Authority made no contributions to the partnership during the year ended September 30, 2015. If terminated, the partnership would be distributed pro rata based on contributions.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Reporting Entity: (Cont'd)

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Rockville and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Imposition of Will - The County has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

During the review of the Authority's budgets, annual contributions contract, minutes of the Board of Commissioner's meetings, cash receipts and cash disbursements for the reporting period disclosed that the Authority operated the following programs under Annual Contributions Contracts:

Low Rent Public Housing Program - The objective of this program is to provide decent safe and sanitary housing and related facilities for eligible low-income families and the elderly.

Capital Fund Program - The objective of this program is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the program.

Housing Choice Voucher Program - This program provides rental assistance to help low-income families afford decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant.

Public Housing Self-Sufficiency under ROSS - This program promotes the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources to enable participating families to achieve economic independence and housing self-sufficiency.

Moderate Rehabilitation - This program provides project-based rental assistance for low income families. The program was repealed in 1991 and no new projects are authorized for development. Assistance is limited to properties previously rehabilitated pursuant to a housing assistance payments (HAP) contract between an owner and a Public Housing Agency (PHA).

Mainstream Vouchers - This program enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market.

Blended Component Units - The Authority administers two blended component units, known as Rockville Housing Enterprises Corporation and RHE Properties, Inc. These entities are considered blended component units because the Authority has financial accountability over them and controls their Board of Directors and management. Rockville Housing Enterprises Corporation is a not-for-profit corporation established to be the general partner in a low income tax credit project known as RELP One, LP. RHE Properties, Inc. is established by Rockville Housing Enterprises to account for properties purchased and other future non-subsidized properties.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Reporting Entity: (Cont'd)

Discretely Presented Component Units - RHE Fireside Park, Inc. is also established by Rockville Housing Enterprises to acquire, hold, maintain and operate a 236 unit multi-family apartment known as Fireside Park Apartments. Its financial information is included as of December 31, 2015.

4. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the statement of net position. Proprietary fund equity is segregated into three broad components: Invested in Capital Assets, Restricted Net Position and Unrestricted Net Position. The Authority uses the following fund:

Proprietary fund:

Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

5. Revenues and Expenses:

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities include rental related income, interest income and other sources of revenues that are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

6. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

7. Budgets:

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

8. Capital Assets and Depreciation:

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the County for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. All assets will be capitalized if they have a useful life beyond one year and an original cost greater than \$5,000.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	10-40 years
Furniture & fixtures	5-10 years
Equipment	3-10 years

9. Collection Losses:

Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

10. Insurance:

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

11. Cash and Investments:

1. The Authority cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments are stated at fair market value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

12. Compensated Absences:

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. The Agency's policy allows employees to accumulate unused vacation leave. Sick leave may be accumulated but not paid upon termination. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

13. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position in the nonoperating revenue and expense.

14. New Accounting Pronouncements:

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, is effective for periods beginning after June 15, 2015 and should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015 with earlier application encouraged. This Statement should improve financial reporting by clarifying the definition of *fair value* for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The disclosures should be organized by type asset or liability reported at fair value. The Authority does not anticipate a material impact on the financial statements as a result of this pronouncement.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

15. Board Terms:

<u>Board Member</u>	<u>Term Expires</u>
Rae Pearl Canizares, Chair	05/01/2017
Kenric Brooks, Commissioner	10/01/2017
Steven Marr, Commissioner	01/01/2016
Ed Duffy, Commissioner	09/01/2017

In addition to the above Commissioners, the Administrator of the Authority is Jessica Anderson, who serves on the Board as Secretary and is the Executive Director.

NOTE B - CASH AND INVESTMENTS:

All the deposits of Rockville Housing Enterprises are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. Rockville Housing Enterprises has no policy regarding custodial credit risk for deposits.

At September 30, 2015, the Authority's Primary Government cash and investments had a carrying amount of \$975,879 and bank balances of \$983,091. Of the bank balances held in various financial institutions, \$488,271 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. Additionally, as of December 31, 2015, there were \$653,563 of cash and cash equivalents in the Discretely Presented Component Unit that are included in the agency-wide financial statements.

At September 30, 2015, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Certificates of Deposit	\$ 200,751	Greater than 3 months	N/A
Total:	\$ 200,751		

Interest rate risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less.

Credit risk - The Authority has no policy regarding credit risk.

Custodial credit risk - The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority places no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE B - CASH AND INVESTMENTS: (Cont'd)

Restricted Cash and Investments:

PRIMARY GOVERNMENT

HCV Equity	\$ 239,711
FSS Escrow	153,390
Security deposits	<u>52,640</u>
	<u>\$ 445,741</u>

COMPONENT UNIT

Restricted for Debt Service	\$ 446,244
Security deposits	<u>78,114</u>
	<u>\$ 524,358</u>

Collateralization:

As of September 30, 2015, the following securities were pledged as collateral to secure the deposits of Rockville Housing Enterprises:

Description	Cusip	Maturity Date	Coupon Rate	Value
FHLMC Gold Pool	31336WBS7	7/1/2020	5.50%	\$ 337,290
FNMA Pool	31371MT56	6/1/2026	5.50%	128,580
CRA Eligible FHLMC Gold Pool	3128KCD20	5/1/2036	5.50%	164,554
				<u>\$ 630,424</u>

NOTE C - ACCOUNTS RECEIVABLE:

Accounts receivable at September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

Tenants (net of allowance of \$3,933)	\$ 8,327
Current notes receivable	91,630
Accounts receivable - RELP	1,858
Accounts receivable - HUD other projects	5,905
Accrued interest receivable	<u>3,128</u>
	<u>\$ 110,848</u>

COMPONENT UNIT

Accounts receivable - Replacement Reserve	\$ 139,520
Accounts receivable - tenants	<u>51,710</u>
	<u>\$ 191,230</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE D - PREPAID CHARGES & OTHER ASSETS:

Prepaid charges and other assets at September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

Prepaid expenses	\$ <u>2,117</u>
------------------	-----------------

COMPONENT UNIT

Prepaid insurance	\$ 9,568
Prepaid real estate taxes	<u>108,710</u>
	<u>\$ 118,278</u>

NOTE E - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Beginning Balances	Additions	Dispositions	Adjustments	Ending Balances
PRIMARY GOVERNMENT					
Capital assets not being depreciated:					
Land	\$ 425,575	\$ -	\$ -	\$ -	\$ 425,575
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>425,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,575</u>
Buildings & improvements	11,654,173	-	-	-	11,654,173
Furniture & equipment	273,481	-	-	-	273,481
Total capital assets being depreciated	<u>11,927,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,927,654</u>
Less accumulated depreciation for:					
Buildings & improvements	8,052,385	359,286	-	-	8,411,671
Furniture & equipment	204,846	10,810	-	-	215,656
Total accumulated depreciation	<u>8,257,231</u>	<u>370,096</u>	<u>-</u>	<u>-</u>	<u>8,627,327</u>
Total capital assets being depreciated	<u>3,670,423</u>				<u>3,300,327</u>
Enterprise activity capital assets, net	\$ <u>4,095,998</u>				\$ <u>3,725,902</u>
COMPONENT UNIT					
	Beginning Balances	Additions	Dispositions	Adjustments	Ending Balances
Capital assets not being depreciated:					
Land	\$ 5,259,200	\$ -	\$ -	\$ -	\$ 5,259,200
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>5,259,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,259,200</u>
Buildings & improvements	31,354,687	-	-	-	31,354,687
Furniture & equipment	331,785	-	-	-	331,785
Total capital assets being depreciated	<u>31,686,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,686,472</u>
Less accumulated depreciation for:					
Buildings & improvements	1,564,103	788,704	-	-	2,352,807
Furniture & equipment	36,293	24,041	-	-	60,334
Total accumulated depreciation	<u>1,600,396</u>	<u>812,745</u>	<u>-</u>	<u>-</u>	<u>2,413,141</u>
Total capital assets being depreciated	<u>30,086,076</u>				<u>29,273,331</u>
Enterprise activity capital assets, net	\$ <u>35,345,276</u>				\$ <u>34,532,531</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE F - NOTES RECEIVABLE:

PRIMARY GOVERNMENT

RHE obtained a \$250,000 grant to assist in financing units for RELP One, LP from the City of Rockville. RHE then entered into a Note to lend the money to RELP One, LP dated March 19, 2002. The note is due 42 years from the date of the note based on 1% interest after the first two years. Payments shall commence on December 31, 2005. Payments are limited to available cash flow. The balance at September 30, 2015, was \$194,467. Of this amount \$6,630 is current and \$187,837 is non-current.

As a part of the agreement with HUD to demolish the Public Housing units known as Lincoln Terrace, the developer for the Legacy Development is required to make Release Payments as the new units are sold. As a part of the development agreement for the Legacy Development, when the buyers purchase property of the Legacy Development, the Authority obtains equity in a second mortgage which is noninterest bearing and not forgivable. The cumulative total of these second mortgage receivables at September 30, 2015, was \$1,500,980. Of this amount \$85,000 is current and \$1,415,980 is non-current.

NOTE G - INVESTMENT IN JOINT VENTURES:

The Authority's Investment in Joint Ventures as of September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

RELP One, LP - Tax-credit rental project	\$ <u>789</u>
--	---------------

NOTE H - ACCOUNTS PAYABLE & CURRENT LIABILITIES:

Accounts payable and current liabilities at September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

Vendors and contractors payable	\$ 21,176
Accrued wages/payroll taxes payable	37,912
Accrued compensated absences - current	49,123
Accrued interest payable	1,528
Accounts payable - HUD PHA programs	62,093
Unearned revenue - prepaid rents	14,443
Long-term capital debt - current portion	8,787
Accounts payable - RELP	23,414
Security deposits	<u>52,640</u>
	<u>\$ 271,116</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE H - ACCOUNTS PAYABLE & CURRENT LIABILITIES: (Cont'd)

COMPONENT UNIT

Vendors and contractors payable	\$ 203,689
Accrued wages/payroll taxes payable	463
Accrued interest payable	224,443
Unearned revenue - prepaid rents	10,112
Other accrued liabilities	8,366
Long-term capital debt - current portion	774,682
Security deposits	<u>78,114</u>
	<u>\$ 1,299,869</u>

NOTE I - NON-CURRENT LIABILITIES:

Non-current liabilities at September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

Long-term capital debt - noncurrent portion	\$ 340,861
Accrued compensated absences - noncurrent portion	8,669
FSS Escrows	<u>153,390</u>
	<u>\$ 502,920</u>

A summary of non-current liabilities at September 30, 2015 follows:

	Balance at 9/30/14	Increases	Decreases	Balance at 9/30/15	Current Portion of Balance
Compensated absences	\$ 34,033	\$ 47,519	\$ (23,760)	\$ 57,792	\$ 49,123
FSS Escrows	<u>153,524</u>	<u>93,975</u>	<u>(94,109)</u>	<u>153,390</u>	<u>-</u>
	<u>\$ 187,557</u>	<u>\$ 141,494</u>	<u>\$ (117,869)</u>	<u>\$ 211,182</u>	<u>\$ 49,123</u>

COMPONENT UNIT

Long-term capital debt - noncurrent portion	<u>\$ 34,240,200</u>
---	----------------------

NOTE J - LONG-TERM DEBT:

PRIMARY GOVERNMENT

On October 25, 2012, the Agency purchased a property at 343 Fallsgrove Drive, Rockville, Maryland which was partially funded through a mortgage payable. The mortgage matures on October 25, 2022. The interest rate on the mortgage is a fixed rate of 4.65%. The required monthly payments were \$555.35. The mortgage payable as of September 30, 2015, was \$90,724.

On November 30, 2012, the Agency obtained a mortgage on a property at 219 Jay Drive, Rockville, Maryland that the Agency had previously purchased for the purposes of obtaining funds to purchase future properties. The mortgage matures on November 30, 2022. The interest rate on the mortgage is a fixed rate of 4.57%. The required monthly payments were \$522.42. The mortgage payable as of September 30, 2015, was \$86,164.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE J - LONG-TERM DEBT: (Cont'd)

On July 15, 2013, the Agency obtained a mortgage on a property at 722 Garden View Drive, Rockville, Maryland that the Agency had previously purchased for the purposes of obtaining funds to purchase future properties. The mortgage matures on July 15, 2023. The interest rate on the mortgage is a fixed rate of 5.89%. The required monthly payments were \$581.73. The mortgage payable as of September 30, 2015, was \$86,394.

On July 15, 2013, the Agency purchased a property at 229 Cork Tree Lane, Rockville, Maryland which was partially funded through a mortgage payable. The mortgage matures on July 15, 2023. The interest rate on the mortgage is a fixed rate of 5.89%. The required monthly payments were \$582.04. The mortgage payable as of September 30, 2015, was \$86,366.

COMPONENT UNIT

With the acquisition of Fireside Park Apartments, the Agency entered into a multifamily permanent note with Citibank, N.A. for \$32,400,000. The note matures on January 1, 2020 and accrues interest at an annual rate of 3.54%. The note requires monthly payments of \$146,214.88. The note is secured by the property. The balance as of December 31, 2015, was \$30,535,949.

The Fireside Park Apartments acquisition was also assisted by a \$1,800,000 deed of trust note from the City of Rockville, Maryland which matures on April 1, 2020. Interest on the note accrues at the rate of 3% per annum and interest only payments on the outstanding principal balance are due annually. Any principal payment is due 120 days after the fiscal year end and shall be 15% of net cash flow from the previous fiscal year. The note is secured by a second deed of trust. The balance as of December 31, 2015, was \$1,705,709.

The Fireside Park Apartments acquisition was also assisted by a \$3,190,000 building loan agreement from the Montgomery County, Maryland which matures on April 1, 2020. Interest on the note accrues at the rate of 3% per annum and interest only payments on the outstanding principal balance are due annually. Any principal payment is due 120 days after the fiscal year end and shall be 15% of net cash flow from the previous fiscal year. The loan is secured by a third deed of trust. The balance as of December 31, 2015, was \$2,773,224.

A summary of changes in long-term debt is as follows:

Description	Beginning Balance	Issued	Retired	Ending Balance	Within One Year
PRIMARY GOVERNMENT					
343 Falls Grove Drive	\$ 93,052	\$ -	\$ 2,328	\$ 90,724	\$ 2,501
219 Jay Drive	88,384	-	2,220	86,164	2,386
722 Garden View Drive	88,158	-	1,764	86,394	1,947
229 Cork Tree Lane	88,135	-	1,769	86,366	1,953
COMPONENT UNIT					
Multifamily payable note	31,196,814	-	660,865	30,535,949	684,644
Deed of trust note	1,750,728	-	45,019	1,705,709	45,019
Building loan agreement	2,818,243	-	45,019	2,773,224	45,019
	<u>\$ 36,123,514</u>	<u>\$ -</u>	<u>\$ 758,984</u>	<u>\$ 35,364,530</u>	<u>\$ 783,469</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE J - LONG-TERM DEBT: (Cont'd)

Principal and interest requirements for the long-term debt are as follows:

<i>PRIMARY GOVERNMENT</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 8,787	\$ 18,111	\$ 26,898
2017	9,253	17,645	26,898
2018	9,745	17,153	26,898
2019	10,262	16,636	26,898
2020	10,808	16,090	26,898
2021-2025	63,319	71,173	134,492
2026-2030	82,148	52,344	134,492
2031-2035	106,682	27,810	134,492
2036-2038	48,644	2,436	51,080
	<u>\$ 349,648</u>	<u>\$ 239,398</u>	<u>\$ 589,046</u>
<i>COMPONENT UNIT</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 684,644	\$ 1,069,935	\$ 1,754,579
2017	709,277	1,045,302	1,754,579
2018	734,797	1,019,782	1,754,579
2019	761,235	993,344	1,754,579
2020	788,624	965,955	1,754,579
2021-2025	4,389,719	4,383,174	8,772,893
2026-2030	5,238,340	3,534,553	8,772,893
2031-2035	6,251,016	2,521,877	8,772,893
2036-2040	7,459,463	1,313,430	8,772,893
2041-2043	3,518,834	136,537	3,655,371
	<u>\$ 30,535,949</u>	<u>\$ 16,983,889</u>	<u>\$ 47,519,838</u>

NOTE K - OTHER NOTE DISCLOSURES:

1. Annual Contributions by Federal Agencies:

Annual Contributions Contract D-131 - Pursuant to the Annual Contributions Contract HUD contributes an operating subsidy approved in the operating budget. For the year ended September 30, 2015, the subsidy paid was \$499,276.

2. Risk Management:

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims & liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE L - IMPAIRMENT OF CAPITAL ASSETS:

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. During the fiscal year ended September 30, 2015, Rockville Housing Enterprises experienced no permanent material impairments during the audit period.

NOTE M - PENSION AND PROFIT SHARING PLANS:

A defined contribution retirement plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefits the individual is to receive.

Other Post-Employment Benefits (OPEB) are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Agency has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASB Statement No. 45.

The Authority has a profit sharing plan where eligible employees open separate accounts with the plan's administrator. The Authority contributes 6.5% of the employees' gross salary bi-weekly. The Authority has no liability once the employee is terminated. The Authority's contributions for the year ended September 30, 2015, were \$36,547 and covered wages totaled \$562,260.

NOTE N - ECONOMIC DEPENDENCY:

The PHA Owned Housing Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants.

NOTE O - RELATED PARTY TRANSACTIONS:

There were no related party transactions to be reported for the fiscal year ended September 30, 2015.

NOTE P - COMMITMENTS & CONTINGENCIES:

Legal:

The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

Grants and contracts:

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of September 30, 2015.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE P - COMMITMENTS & CONTINGENCIES: (Cont'd)

Capital fund:

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

NOTE Q - RESTRICTED NET POSITION:

The Restricted Net Position as of September 30, 2015, consisted of the following:

PRIMARY GOVERNMENT

Low-Rent - restricted for MPDU program	\$ 194,467
HAP Equity	<u>239,711</u>
	<u>\$ 434,178</u>

NOTE R - SUPPLEMENTAL INFORMATION:

The supplemental information has been included in order to show the financial statements of the Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplemental information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

NOTE S - PRIOR PERIOD ADJUSTMENTS:

The agency did not recognize any prior period adjustments for FY2015.

NOTE T - SUBSEQUENT EVENTS:

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 10, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statement.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SINGLE AUDIT SECTION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rockville Housing Enterprises
Rockville, Maryland

Baltimore Field Office
Public Housing Division
10 South Howard Street
5th Floor
Baltimore, MD 21201

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rockville Housing Enterprises, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Rockville Housing Enterprises' basic financial statements, and have issued our report thereon dated March 10, 2015.

Internal Control Over Financial Reporting

Management of the Rockville Housing Enterprises is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockville Housing Enterprises' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

Rockville Housing Enterprises' Response to Findings

The Rockville Housing Enterprises' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
March 10, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rockville Housing Enterprises
Rockville, Maryland

Baltimore Field Office
Public Housing Division
10 South Howard Street
5th Floor
Baltimore, MD 21201

Report on Compliance for Each Major Federal Program

We have audited the Rockville Housing Enterprises' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Rockville Housing Enterprises' major federal programs for the year ended September 30, 2015. The Rockville Housing Enterprises' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rockville Housing Enterprises, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rockville Housing Enterprises' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Rockville Housing Enterprises' compliance with those requirements.

Basis for Qualified Opinion on the Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA # 14.871 Housing Choice Voucher program as described in finding 2015-002 for special tests and provisions. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Housing Choice Voucher Program

In our opinion, except for the noncompliance described above in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher program for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the Rockville Housing Enterprises is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rockville Housing Enterprises' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

Rockville Housing Enterprises' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rockville Housing Enterprises' response was not subjected to the auditing procedures applied in the audit of compliance; accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
March 10, 2015

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2014, contained the following formal audit findings:

**Finding 2014-001 – Financial Management Procedures & Controls
Significant Deficiency**

Condition: During the 2014 audit there were control deficiencies that caused financial statement accounts to be misstated.

Status: The control deficiencies from the prior audit have not been corrected. There is still a lack of monthly reconciliation controls in place to prevent management from identifying errors and misstatements in a timely manner. Consequently this finding is restated and continues in the current audit period. *This finding is continued and restated as Finding number 2015-001.*

**Finding 2014-002 – Family Self Sufficiency Participant File Deficiencies – CFDA No. 14.871
Noncompliance & Significant Deficiency**

Condition: The FSS participant files lacked documentation to support regular meetings and reviews of escrow balances.

Status: We noted a large improvement in this area during the FY2015 audit. Documentation existed that there were regular meet-ups with the participants and annual escrow update letters were documented in files examined. *Consequently, this finding is cleared.*

**Finding 2014-003 – Tenant File Deficiencies – CFDA No. 14.850
Noncompliance & Significant Deficiency**

Condition: The Public Housing tenant files contained numerous income calculation and verification errors found during the FY2014 audit.

Status: There were no Public Housing tenant file deficiencies or instances of noncompliance noted in the current audit period. *Consequently, this finding is cleared.*

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	Yes

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of report issued on the compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
-CFDA #14.850	Low-Income Public Housing
-CFDA #14.871	Housing Choice Vouchers
-CFDA #14.879	Mainstream Vouchers
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Did the Authority qualify as a low-risk auditee?	No

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings
Findings related to financial statements in accordance with GAGAS:

Finding 2015-001 - Financial Management Procedures & Controls - Material Weakness

Criteria: Good Internal Control policies and procedures and Federal regulations require that all records of account should be reviewed and maintained on a regular basis for all programs. A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner. In addition, Finance Department personnel should be adequately trained in order to determine whether the existing financial statements are accurate and reliable. Failure to prepare financial statements that document the Agency's understanding of GAAP represents a deficiency of control.

Condition & cause: Our review of the internal controls over the general ledger and corresponding financial statements revealed that the Agency should improve the accuracy of the monthly financial statements and implement internal controls to allow for the monthly reconciliation of operating accounts. We noted numerous errors in accounting and reporting which should have been corrected and resolved prior to the Agency closing the books and records of account and reporting the financials to HUD/REAC. The cause of these errors were related to the lack of monthly reconciliations prepared for general ledger accounts which limits management's ability to detect errors and misstatements in a timely manner.

Effect: Failure to adequately address all financial system deficiencies can lead to misstatement of financial results and related non-compliance issues.

Recommendation: We recommend that the Housing Authority continue to improve the financial operations by adequately reviewing all financial reports. The Agency has made significant progress in this area, but needs to continue making improvements. We also recommend that the Agency establish new internal controls that allow for the monthly reconciliation of general ledger accounts to related support.

Corrective Action Plan: In response to this finding, RHE Management recognizes the progress that has been made in the area of financial controls and continues to work to improve the financial reporting internal controls. Additional efforts to complete an in depth review of the financial statements prior to the end of the fiscal year to reduce fiscal yearend adjustments will be instituted. RHE will engage our financial consultant to complete an in-depth pre-audit review quarterly. This review will help identify any GAAP accounting adjustments that need to be completed.

Contact Person: Jessica Anderson, Executive Director, RHE

Anticipated Completion Date: September 30, 2016; on-going.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs
Findings and questioned costs for Federal Awards as defined in Section .510:

Finding 2015-002 - Tenant File Deficiency - CFDA 14.871 - Noncompliance & Significant Deficiency

Criteria: Part 24 of the Code of Federal Regulations, Section 982, and the Housing Choice Voucher Guidebook give the requirements & guidance for maintaining the tenant files. HUD requires that certain information be obtained from each resident in order to properly support the rental calculations and prescribes acceptable methods of tenant income calculation. In addition the Agencies Administrative Plan for Section 8 provides guidance on the requirements of the tenant files and how they must be maintained.

Condition & cause: We reviewed twenty (20) Housing Choice Voucher tenant files and noted the following discrepancies:

- Two (2) files in which the tenant's income was incorrectly calculated
- One (1) file which was missing the tenant's birth certificate
- Three (3) files which were missing third party income verifications
- One (1) file which was missing a HUD 9886 Release of Information form
- One (1) file which was missing all back-up documentation related to the HUD 50058

Effect: Improper calculation and documentation of tenant income can result in misstatement to the financial statements and noncompliance with Federal provisions governing the Housing Choice Voucher program.

Recommendation: We recommend that the Agency implement a system of tenant file review that can be periodically carried out and documented during the year. We noted that the Agency has already implemented such a system during the Fiscal Year Ended 2015 and that it should be improved upon to avoid noncompliance issues in the future.

Corrective Action Plan: In response to this finding, during the course of the Fiscal Year Ending 9-2016, RHE Management recognized the internal deficiency regarding the accurate calculation of adjusted income. In June 2015, RHE Management instituted a Quality Control Program that implemented an in depth review of all Housing Choice Voucher transactions, both annual and interim re-certifications. Each transaction and corresponding file is reviewed for accuracy and core document completeness prior to the effective date of the transaction. Additionally, in order to maintain employment, RHE Housing Occupancy Specialists must maintain a quality control review score of 80%. Unfortunately, the files selected for audit review were processed prior to the implementation of the Quality Control Plan. RHE is confident the new Quality Control Plan and performance standards will yield a positive file tenant file audit for Fiscal Year Ending 2016.

Contact Person: Jessica Anderson, Executive Director, RHE

Anticipated Completion Date: Corrective Action – Quality Control Plan instituted June 2015; on-going.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Blended Component Unit	Fireside Apartments	Elimination	TOTAL
\$ 35,720	\$ 129,205	\$ 0	\$ 458,592
0	446,244	0	839,345
1,800	78,114	0	130,754
37,520	653,563	0	1,428,691
0	0	0	5,905
0	139,520	0	141,378
0	0	0	0
0	0	0	0
0	0	0	0
5,966	51,710	0	63,970
(933)	0	0	(3,933)
85,000	0	0	91,630
76	0	0	3,128
90,109	191,230	0	302,078
200,751	0	0	200,751
0	0	0	0
0	118,278	0	120,395
0	0	0	0
0	0	0	0
11,766	0	(27,016)	0
0	0	0	0
340,146	963,071	(27,016)	2,051,915
0	5,259,200	0	5,684,775
469,171	31,354,687	0	43,008,860
4,445	331,785	0	460,475
0	0	0	144,791
(47,864)	(2,413,141)	0	(11,040,468)
0	0	0	0
425,752	34,532,531	0	38,258,433
1,415,980	0	0	1,603,817
789	0	0	789
1,842,521	34,532,531	0	39,863,039
\$ 2,182,667	\$ 35,495,602	\$ (27,016)	\$ 41,914,954

Blended Component	Fireside		
Unit	Apartments	Elimination	TOTAL
\$ 0	\$ 0	\$ 0	\$ 0
2,200	203,689	0	224,865
0	463	0	38,375
0	0	0	49,123
1,528	224,443	0	225,971
0	0	0	62,093
0	0	0	0
0	0	0	0
1,800	78,114	0	130,754
810	10,112	0	24,555
8,787	774,682	0	783,469
23,414	0	0	23,414
0	8,366	0	8,366
2,348	0	(27,016)	0
40,887	1,299,869	(27,016)	1,570,985
340,861	34,240,200	0	34,581,061
0	0	0	0
0	0	0	8,669
0	0	0	153,390
0	0	0	0
340,861	34,240,200	0	34,743,120
381,748	35,540,069	(27,016)	36,314,105
76,104	(482,351)	0	2,893,903
0	0	0	434,178
1,724,815	437,884	0	2,272,768
1,800,919	(44,467)	0	5,600,849
\$ 2,182,667	\$ 35,495,602	\$ (27,016)	\$ 41,914,954

Blended Component Unit	Fireside Apartments	Elimination	TOTAL
\$ 57,277	\$ 3,455,554	\$ 0	\$ 3,972,878
1,016	242,792	0	270,831
58,293	3,698,346	0	4,243,709
0	0	0	6,291,569
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	21	0	1,981
0	0	0	0
0	0	0	0
25,019	0	0	179,919
0	0	0	0
\$ 83,312	\$ 3,698,367	\$ 0	\$ 10,717,178

\$ 0	\$ 158,230	\$ 0	\$ 825,856
0	9,807	0	29,203
0	140,446	0	140,446
0	0	0	0
0	26,019	0	26,019
0	22,696	0	171,207
0	18,856	0	227,891
4,934	8,024	0	23,020
0	9,717	0	29,358
3,285	34,993	0	82,321
8,219	428,788	0	1,555,321
0	0	0	0

1,038	0	0	1,038
0	0	0	0
0	0	0	0
0	0	0	0
1,038	0	0	1,038

0	179,550	0	221,171
0	19,188	0	101,237
0	43,167	0	50,164
0	0	0	3,375
0	0	0	34,328
0	0	0	0
0	241,905	0	410,275

0	168,560	0	254,197
0	260,533	0	285,328
0	90,161	0	91,365
285	23,928	0	42,386
0	29,977	0	36,376
0	0	0	0
0	25,068	0	25,193
1,914	0	0	8,756
0	0	0	4,228
0	0	0	37,121
0	14,559	0	24,620
0	0	0	0
0	291,901	0	292,444
0	0	0	9,103
0	24,588	0	44,537
2,199	929,275	0	1,155,654

Blended Component Unit	Fireside Apartments	Elimination	TOTAL
0	0	0	2,872
0	0	0	2,872
170	36,997	0	47,617
0	0	0	0
0	0	0	0
0	0	0	0
170	36,997	0	47,617
0	0	0	23,760
108,654	0	0	132,660
1,736	191,299	0	204,731
0	69,808	0	69,808
79,000	0	0	79,000
0	0	0	0
189,390	261,107	0	509,959
18,782	1,226,126	0	1,244,908
0	0	0	0
0	0	0	0
18,782	1,226,126	0	1,244,908
219,798	3,124,198	0	4,927,644
(136,486)	574,169	0	5,789,534
0	0	0	0
0	0	0	11,008
0	0	0	5,341,208
0	0	0	41,137
12,588	812,745	0	1,182,841
0	0	0	0
0	0	0	0
12,588	812,745	0	6,576,194
\$ 232,386	\$ 3,936,943	\$ 0	\$ 11,503,838
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
\$ (149,074)	\$ (238,576)	\$ 0	\$ (786,660)
0	0	0	0
0	0	0	0
1,949,993	194,109	0	6,387,509
\$ 1,800,919	\$ (44,467)	\$ 0	\$ 5,600,849
46	2,832	0	9,142
48	2,628	0	8,802
0	0	0	(41,165)
0	0	0	239,711

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - Combining Blended Component Units
SEPTEMBER 30, 2015

<u>Account Description</u>	RHE Properties	RHE Corporation	TOTAL
ASSETS:			
CURRENT ASSETS:			
Cash:			
Cash - unrestricted	\$ 2,429	\$ 33,291	\$ 35,720
Cash - other restricted	0	0	0
Cash - tenant security deposits	1,800	0	1,800
Total Cash	4,229	33,291	37,520
Accounts and notes receivables:			
Accounts receivable - HUD other projects	0	0	0
Accounts receivable - miscellaneous	0	0	0
Allowance for doubtful accounts - miscellaneous	0	0	0
Fraud recovery	0	0	0
Allowance for doubtful accounts - fraud	0	0	0
Accounts receivable - tenants - dwelling rents	5,966	0	5,966
Allowance for doubtful accounts	(933)	0	(933)
Notes, loans, & mortgages receivable - current	0	85,000	85,000
Accrued interest receivable	0	76	76
Total receivables, net of allowances for uncollectibles	5,033	85,076	90,109
Other current assets:			
Investments - unrestricted	0	200,751	200,751
Investments - restricted	0	0	0
Prepaid expenses and other assets	0	0	0
Inventory - materials	0	0	0
Allowance for obsolete inventories	0	0	0
Interprogram due from	220	11,546	11,766
TOTAL CURRENT ASSETS	9,482	330,664	340,146
NONCURRENT ASSETS:			
Capital Assets:			
Land	0	0	0
Buildings	469,171	0	469,171
Furniture & equipment - dwelling	4,445	0	4,445
Furniture & equipment - admin	0	0	0
Accumulated depreciation	(47,864)	0	(47,864)
Construction in progress	0	0	0
Total Capital Assets, net of accumulated depreciation	425,752	0	425,752
Notes, loans, & mortgages receivable - non-current	0	1,415,980	1,415,980
Investment in joint ventures	0	789	789
TOTAL NONCURRENT ASSETS	425,752	1,416,769	1,842,521
TOTAL ASSETS	\$ 435,234	\$ 1,747,433	\$ 2,182,667

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - Combining Blended Component Units
SEPTEMBER 30, 2015

<u>Account Description</u>	<u>RHE</u> <u>Properties</u>	<u>RHE</u> <u>Corporation</u>	<u>TOTAL</u>
LIABILITIES AND NET POSITION:			
LIABILITIES:			
CURRENT LIABILITIES:			
Bank overdraft	\$ 0	\$ 0	\$ 0
Accounts payable <= 90 days	2,200	0	2,200
Accrued wage/payroll taxes payable	0	0	0
Accrued compensated absences - current portion	0	0	0
Accrued interest payable	1,528	0	1,528
Accounts payable - HUD PHA programs	0	0	0
Accounts payable - other gov.	0	0	0
Tenant security deposits	1,800	0	1,800
Unearned revenue	810	0	810
Current portion of long-term debt - capital projects	8,787	0	8,787
Other current liabilities	0	23,414	23,414
Accrued liabilities - other	0	0	0
Interprogram (due to)	2,348	0	2,348
TOTAL CURRENT LIABILITIES	<u>17,473</u>	<u>23,414</u>	<u>40,887</u>
NONCURRENT LIABILITIES:			
Long-term debt, net of current - capital projects	340,861	0	340,861
Accrued compensated absences - long-term	0	0	0
Other noncurrent liabilities	0	0	0
Other long term liabilities	0	0	0
TOTAL NONCURRENT LIABILITIES	<u>340,861</u>	<u>0</u>	<u>340,861</u>
TOTAL LIABILITIES	<u>358,334</u>	<u>23,414</u>	<u>381,748</u>
NET POSITION:			
Net investment in capital assets	76,104	0	76,104
Restricted	0	0	0
Unrestricted	796	1,724,019	1,724,815
TOTAL NET POSITION	<u>76,900</u>	<u>1,724,019</u>	<u>1,800,919</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 435,234</u>	<u>\$ 1,747,433</u>	<u>\$ 2,182,667</u>

ROCKVILLE HOUSING ENTERPRISES

Rockville, Maryland

FINANCIAL DATA SUBMISSION SUMMARY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
Combining Blended Component Units
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Account Description</u>	<u>RHE Properties</u>	<u>RHE Corporation</u>	<u>TOTAL</u>
REVENUES:			
Net tenant rental revenue	\$ 57,277	\$ 0	\$ 57,277
Tenant revenue - other	1,016	0	1,016
Total tenant revenue	58,293	0	58,293
HUD PHA grants	0	0	0
HUD capital grants	0	0	0
Management fee	0	0	0
Asset Management fee	0	0	0
Book-keeping fee	0	0	0
Other government grants	0	0	0
Investment income - unrestricted	0	0	0
Investment income - restricted	0	0	0
Fraud recovery	0	0	0
Other revenue	0	25,019	25,019
Gain/Loss on sale of capital assets	0	0	0
TOTAL REVENUES	\$ 58,293	\$ 25,019	\$ 83,312
EXPENSES:			
Administrative			
Administrative salaries	\$ 0	\$ 0	\$ 0
Auditing fees	0	0	0
Management fees	0	0	0
Book-keeping fees	0	0	0
Advertising and marketing	0	0	0
Employee benefit contributions - administrative	0	0	0
Office expenses	0	0	0
Legal expenses	4,934	0	4,934
Travel	0	0	0
Other operating - administrative	1,471	1,814	3,285
Total administrative expense	6,405	1,814	8,219
Asset Management Fee	0	0	0
Resident services			
Resident salaries	0	1,038	1,038
Relocation costs	0	0	0
Resident services - other	0	0	0
Employee benefit contributions - resident services	0	0	0
Total resident services expense	0	1,038	1,038
Utilities			
Water	0	0	0
Electricity	0	0	0
Gas	0	0	0
Sewer	0	0	0
Other utilities expense	0	0	0
Total utilities expense	0	0	0

ROCKVILLE HOUSING ENTERPRISES

Rockville, Maryland

FINANCIAL DATA SUBMISSION SUMMARY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
Combining Blended Component Units
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Account Description</u>	<u>RHE Properties</u>	<u>RHE Corporation</u>	<u>TOTAL</u>
Ordinary maintenance & operation			
Ordinary maint. and oper. - labor	0	0	0
Ordinary maint. and oper. - materials & others	0	0	0
Contract costs - garbage & trash removal	0	0	0
Contract costs - heating & cooling	285	0	285
Contract costs - snow removal	0	0	0
Contract costs - elevator maintenance	0	0	0
Contract costs - landscape & grounds	0	0	0
Contract costs - unit turnaround	1,914	0	1,914
Contract costs - electrical	0	0	0
Contract costs - plumbing	0	0	0
Contract costs - extermination	0	0	0
Contract costs - janitorial	0	0	0
Contract costs - routine maintenance	0	0	0
Contract costs - miscellaneous	0	0	0
Ordinary maint. and oper. - benefits	0	0	0
Total ordinary maintenance & operation	<u>2,199</u>	<u>0</u>	<u>2,199</u>
Protective services			
Protective services - labor	0	0	0
Protective services - other contract costs	0	0	0
Protective services - other	0	0	0
Employee benefit contributions- protective services	0	0	0
Total protective services	<u>0</u>	<u>0</u>	<u>0</u>
Insurance premiums			
Property insurance	170	0	170
Liability insurance	0	0	0
Workmen's compensation	0	0	0
All other insurance	0	0	0
Total insurance premiums	<u>170</u>	<u>0</u>	<u>170</u>
General expenses			
Compensated absences	0	0	0
Other general expenses	27,758	80,896	108,654
Payments in lieu of taxes	1,736	0	1,736
Bad debt - tenant rents	0	0	0
Bad debt - other	0	79,000	79,000
Severance expense	0	0	0
Total general expenses	<u>29,494</u>	<u>159,896</u>	<u>189,390</u>
Interest expense and amortization cost			
Interest of mortgage payable	18,782	0	18,782
Interest on notes payable	0	0	0
Amortization of bond issue cost	0	0	0
Total interest expense and amortization cost	<u>18,782</u>	<u>0</u>	<u>18,782</u>
TOTAL OPERATING EXPENSE	<u>57,050</u>	<u>162,748</u>	<u>219,798</u>
EXCESS REVENUE OVER OPERATING EXPENSE	<u>1,243</u>	<u>(137,729)</u>	<u>(136,486)</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

FINANCIAL DATA SUBMISSION SUMMARY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
Combining Blended Component Units
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Account Description</u>	RHE Properties	RHE Corporation	TOTAL
Other expenses			
Casualty losses - non-capitalized	0	0	0
Extraordinary expenses	0	0	0
Housing Assistance Payments	0	0	0
HAP portability-in	0	0	0
Depreciation expense	12,588	0	12,588
Fraud losses	0	0	0
Total Other Expenses	<u>12,588</u>	<u>0</u>	<u>12,588</u>
TOTAL EXPENSES	\$ <u>69,638</u>	\$ <u>162,748</u>	\$ <u>232,386</u>
Other Financing Sources/(Uses)			
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Transfers between program and project - in	0	0	0
Transfers between project and program - out	0	0	0
Total Other Financing Sources/(Uses)	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>(11,345)</u>	\$ <u>(137,729)</u>	\$ <u>(149,074)</u>
Equity transfers	0	0	0
Prior period adjustments	0	0	0
Beginning Net Position	<u>88,245</u>	<u>1,861,748</u>	<u>1,949,993</u>
Ending Net Position	\$ <u>76,900</u>	\$ <u>1,724,019</u>	\$ <u>1,800,919</u>

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
September 30, 2015

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>FEDERAL GRANTOR</u>			
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>			
Public Housing:			
Public and Indian Housing	A - Major	14.850	\$ 499,276
Public Housing Capital Fund	B - Nonmajor	14.872	34,419
Section 8 Housing Assistance Program:			
Moderate Rehabilitation	B - Nonmajor	14.856	42,310
Housing Choice Vouchers	A - Major	14.871	4,957,030
Mainstream Vouchers	A - Major	14.879	715,830
Other Programs:			
Family Self-Sufficiency Program	B - Nonmajor	14.896	<u>42,704</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>6,291,569</u>
Threshold for Type A and Type B programs			\$ <u>300,000</u>

The accompanying notes are an integral part of this schedule.

ROCKVILLE HOUSING ENTERPRISES
Rockville, Maryland

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rockville Housing Enterprises and is presented on the post-GASB 34 full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - SUBRECIPIENTS:

Rockville Housing Enterprises provided no federal awards to subrecipients during the fiscal year ending September 30, 2015.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- Rockville Housing Enterprises received no federal awards of non-monetary assistance that are required to be disclosed for the year ended September 30, 2015.
- Rockville Housing Enterprises had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended September 30, 2015.
- Rockville Housing Enterprises is a part of the Montgomery County Self-Insurance Program, which provides self-insurance and commercial coverage to its members. Coverage limits under the Self-Insurance Program include General Liability in the amount of \$800,000 per occurrence aggregate and \$400,000 each occurrence, Automobile Liability coverage in the amount of \$30,000 per person, \$60,000 per accident for bodily injury and \$15,000 for property damage, State of Maryland statutory limits for workers' compensation as well as \$250,000 property insurance.

RHE Fireside Park Inc.

Audit Report

FYE 12-31-2015

RHE FIRESIDE PARK, INC.
Rockville, Maryland

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

	Page
Accountants' Report on Financial Statements	1
FINANCIAL STATEMENTS	
Statement of Net Position	2
Statement of Revenues, Expenses & Changes in Net Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11



INDEPENDENT AUDITOR'S REPORT

Board of Directors
RHE Fireside Park, Inc.
Rockville, Maryland

We have audited the accompanying financial statements of the RHE Fireside Park, Inc. (a nonprofit organization), which comprise the statement of net position as of December 31, 2015, and the related statement of revenues, expenses and changes in net position and the statement of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RHE Fireside Park, Inc., as of December 31, 2015, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Rector, Reeder & Lofton, P.C.' in a cursive script.

Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
March 27, 2016

RHE FIRESIDE PARK, INC.
Rockville, Maryland

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

RHE FIRESIDE APARTMENTS, INC.
Rockville, Maryland

STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash & cash equivalents - unrestricted	\$	129,205
Cash & cash equivalents - restricted		524,358
Accounts receivable - net of allowance		191,230
Prepaid expenses		<u>118,278</u>
Total Current Assets		<u>963,071</u>

Capital Assets

Land	5,259,200
Buildings & improvements	31,354,687
Furniture & equipment	<u>331,785</u>
	36,945,672
Less: Accumulated depreciation	<u>(2,413,141)</u>
Capital Assets, net	<u>34,532,531</u>
Total Noncurrent Assets	<u>34,532,531</u>

TOTAL ASSETS	\$	<u><u>35,495,602</u></u>
--------------	----	--------------------------

The accompanying notes are an integral part of these financial statements.

LIABILITIES & NET POSITION

Current Liabilities

Accounts payable	\$	203,689
Accrued liabilities		233,272
Unearned revenue		10,112
Mortgage payable, capital - current portion		774,682
Tenant security deposits		<u>78,114</u>
Total Current Liabilities		<u>1,299,869</u>

Noncurrent Liabilities

Mortgage payable, capital - net of current portion		<u>34,240,200</u>
Total Noncurrent Liabilities		<u>34,240,200</u>

TOTAL LIABILITIES		<u>35,540,069</u>
-------------------	--	-------------------

Net Position

Net Investment in Capital Assets		(482,351)
Unrestricted		<u>437,884</u>

TOTAL NET POSITION		<u>(44,467)</u>
--------------------	--	-----------------

TOTAL LIABILITIES & NET POSITION	\$	<u><u>35,495,602</u></u>
----------------------------------	----	--------------------------

RHE FIRESIDE APARTMENTS, INC.
Rockville, Maryland

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenues

Dwelling rent	\$ 3,698,346
Other income	-
Total Operating Revenues	<u>3,698,346</u>

Operating Expenses

Administration	428,788
Utilities	241,905
Maintenance & Operations	929,275
General	298,104
Depreciation	812,745
Total Operating Expenses	<u>2,710,817</u>

Net Operating Income/(Loss)	<u>987,529</u>
------------------------------------	----------------

Nonoperating Revenues/(Expenses)

Investment income	21
Interest expense	(1,226,126)
Net Nonoperating Revenues/(Expenses)	<u>(1,226,105)</u>

Net Increase/(Decrease) in Net Position	(238,576)
--	-----------

Total Net Position - beginning	<u>194,109</u>
---------------------------------------	----------------

Total Net Position - ending	<u>\$ (44,467)</u>
------------------------------------	--------------------

The accompanying notes are an integral part of these financial statements.

RHE FIRESIDE APARTMENTS, INC.
Rockville, Maryland

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 3,446,945
Payments to suppliers	(1,413,748)
Payments to employees	(326,790)

NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>1,706,407</u>
--	------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>21</u>
-------------------	-----------

NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	<u>21</u>
--	-----------

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Payment on mortgage & notes payable	(750,903)
Payment of interest on loans	(1,226,126)

NET CASH PROVIDED/(USED) FROM CAPITAL & RELATED FINANCING ACTIVITIES	<u>(1,977,029)</u>
--	--------------------

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(270,601)
--	-----------

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>924,164</u>
--	----------------

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ <u><u>653,563</u></u>
--	--------------------------

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income/(Loss) from Operations	\$ 987,529
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation/Amortization	812,745
Decrease (Increase) in accounts receivable	(161,863)
Decrease (Increase) in prepaid expenses	(29,167)
Increase (Decrease) in accounts payable	141,237
Increase (Decrease) in accrued liabilities	(24,344)
Increase (Decrease) in unearned revenue	(7,551)
Increase (Decrease) in security/trust deposits	(12,179)

NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	\$ <u><u>1,706,407</u></u>
--	----------------------------

The accompanying notes are an integral part of these financial statements.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

A. Introduction:

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

B. Organization:

RHE Fireside Park, Inc. (Corporation) is a nonprofit corporation formed to maintain and operate a 236 unit multi-family apartment known as Fireside Park Apartments. The Corporation has the authority to issue bonds, notes and other obligations and controls its own projects and expenditures. This Corporation's financial statements have been included in the Rockville Housing Enterprises' financial statements as a discretely presented component unit. The Corporation's units are managed and maintained by Humphrey Management. The Rockville Housing Enterprises' management controls the Corporation's operations and financial activity.

C. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Accounting - The Corporation uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Corporation are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Corporation functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. The Corporation uses the enterprise fund, which is a fund that is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

D. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

E. Inventories:

Inventories are recorded at cost using the moving average method. If inventory falls below cost due to damage, deterioration or obsolescence, the Corporation establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

F. Capital Assets and Depreciation:

Capital assets are stated at historical cost. Donated capital assets are stated at their market value on the date donated. This includes site acquisition and improvement, structures and equipment. The current adopted capitalization amount is \$5,000.

Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is normally reported on the proprietary funds' statement of net position. Depreciation is computed using the straight-line method.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	10-40 years
Furniture & fixtures	5-10 years
Equipment	3-10 years

G. Collection Losses:

Collection losses on accounts receivable are expended, in the appropriate Fund, on the specific write-off method.

H. Insurance:

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Corporation. The Corporation secures required insurance coverage through the competitive bid process. As of the date of the field work, the Corporation had required coverage in force.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

I. Cash and Cash Equivalents:

1. The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
2. Investments are stated at fair value, except for U. S. Treasury Bills, which are reported at amortized cost. The Corporation reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

J. Compensated Absences:

Compensated absences are absences for which employees will be paid, i.e., leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Corporation accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and leave benefits in varying amounts to specified maximums depending on tenure with the Corporation. Vacation and leave pay is recorded as an expense and related liability in the year earned by employees.

K. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 - ASSETS AND LIABILITIES:

A. Cash and Cash Equivalents:

All deposits of the Corporation are insured either under the FDIC limit or using the Certificate of Deposit Account Registry Service where one agreement is signed with a participating local bank or other financial institution and the financial institution places the funds with various banks to diversify the funds to ensure the funds in one financial institution are below the FDIC limits. The Corporation has no policy regarding custodial credit risk for deposits.

At December 31, 2015, the Corporation deposits had a carrying amount of \$652,813 and a bank balance of \$903,112. The Corporation had petty cash in the amount of \$750.

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation typically limits its investment portfolio to maturities of 12 months or less. The Corporation has no specific policy regarding interest rate risk.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - ASSETS AND LIABILITIES: (Cont'd)

A. Cash and Cash Equivalents: (Cont'd)

Credit risk – The Corporation has no policy regarding credit risk.

Custodial credit risk – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments in repurchase agreements are collateralized by the securities are held by the counterparty, or by its trust department. The Corporation has no policy on custodial credit risk.

Concentration of credit risk – The Corporation places no limit on the amount that the Corporation may invest with any one issuer.

Of the Cash & Cash Equivalents \$78,114 is restricted cash for security deposits and \$446,244 is restricted for debt service.

The above amounts are held in the following accounts:

Checking and savings	\$ 506,363
Tax Escrow	43,199
Reserve Escrow	103,251
Petty Cash	<u>750</u>
	<u>\$ 653,563</u>

B. Accounts Receivable:

Accounts receivable including applicable allowances for uncollectible accounts at December 31, 2015, consisted of the following:

Accounts receivable – Replacement Reserve	\$ 139,520
Accounts receivable – tenants	<u>51,710</u>
	<u>\$ 191,230</u>

C. Prepaid Expenses:

Prepaid expenses at December 31, 2015, consisted of the following:

Prepaid insurance	\$ 9,568
Prepaid real estate taxes	<u>108,710</u>
	<u>\$ 118,278</u>

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - ASSETS AND LIABILITIES: (Cont'd)

D. Capital Assets:

A summary of changes in capital assets were as follows:

	Beginning Balances	Additions	Dispositions	Ending Balances
Capital assets not being depreciated:				
Land	\$ 5,259,200	\$ -	\$ -	\$ 5,259,200
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>5,259,200</u>	<u>-</u>	<u>-</u>	<u>5,259,200</u>
Buildings & improvements	31,354,687	-	-	31,354,687
Furniture & equipment	331,785	-	-	331,785
Total capital assets being depreciated	<u>31,686,472</u>	<u>-</u>	<u>-</u>	<u>31,686,472</u>
Less accumulated depreciation for:				
Buildings & improvements	1,564,103	788,704	-	2,352,807
Furniture & equipment	36,293	24,041	-	60,334
Total accumulated depreciation	<u>1,600,396</u>	<u>812,745</u>	<u>-</u>	<u>2,413,141</u>
Total capital assets being depreciated	<u>30,086,076</u>			<u>29,273,331</u>
Enterprise activity capital assets, net	\$ <u>35,345,276</u>			\$ <u>34,532,531</u>

E. Accounts Payable:

Accounts payable at December 31, 2015, consisted of the following:

Vendors and contractors payable	\$ 203,689
Accrued wages/payroll taxes payable	463
Accrued interest payable	224,443
Unearned revenue – prepaid rents	10,112
Other accrued liabilities	8,366
Long-term capital debt – current portion	774,682
Security deposits	<u>78,114</u>
	<u>\$ 1,299,869</u>

F. Long-term Debt:

The Corporation entered into a multifamily permanent note with Citibank, N.A. for \$32,400,000. The note matures on January 1, 2020 and accrues interest at an annual rate of 3.54%. The note requires monthly payments of \$146,214.88. The note is secured by the property. The balance as of December 31, 2015, was \$30,535,949.

The Corporation was also assisted by a \$1,800,000 deed of trust note from the City of Rockville, Maryland which matures on April 1, 2020. Interest on the note accrues at the rate of 3% per annum and interest only payments on the outstanding principal balance are due annually. Any principal payment is due 120 days after the fiscal year end and shall be 15% of net cash flow from the previous fiscal year. The note is secured by a second deed of trust. The balance as of December 31, 2015, was \$1,705,709.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - ASSETS AND LIABILITIES: (Cont'd)

F. Long-term Debt: (Cont'd)

Finally, the Corporation was also assisted by a \$3,190,000 building loan agreement from the Montgomery County, Maryland which matures on April 1, 2020. Interest on the note accrues at the rate of 3% per annum and interest only payments on the outstanding principal balance are due annually. Any principal payment is due 120 days after the fiscal year end and shall be 15% of net cash flow from the previous fiscal year. The loan is secured by a third deed of trust. The balance as of December 31, 2015, was \$2,773,224.

A summary of changes in long-term debt is as follows:

Description	Beginning Balance	Issued	Retired	Ending Balance	Within One Year
Multifamily payable note	\$ 31,196,814	\$ -	\$ 660,865	\$ 30,535,949	\$ 684,644
Deed of trust note	1,750,728	-	45,019	1,705,709	45,019
Building loan agreement	2,818,243	-	45,019	2,773,224	45,019
	<u>\$ 35,765,785</u>	<u>\$ -</u>	<u>\$ 750,903</u>	<u>\$ 35,014,882</u>	<u>\$ 774,682</u>

Principal and interest requirements for the long-term debt are as follows:

	Principal	Interest	Total
2016	\$ 684,644	\$ 1,069,935	\$ 1,754,579
2017	709,277	1,045,302	1,754,579
2018	734,797	1,019,782	1,754,579
2019	761,235	993,344	1,754,579
2020	788,624	965,955	1,754,579
2021-2025	4,389,719	4,383,174	8,772,893
2026-2030	5,238,340	3,534,553	8,772,893
2031-2035	6,251,016	2,521,877	8,772,893
2036-2040	7,459,463	1,313,430	8,772,893
2041-2043	3,518,834	136,537	3,655,371
	<u>\$ 30,535,949</u>	<u>\$ 16,983,889</u>	<u>\$ 47,519,838</u>

NOTE 3 - RISK MANAGEMENT:

The Corporation is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported.

RHE FIRESIDE PARK, INC.
Rockville, Maryland

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS:

The Corporation does not offer a pension plan or any other post-employment benefits to their employees.

NOTE 5 - RELATED PARTY TRANSACTIONS:

There were no related party transactions to be reported for the fiscal year ended December 31, 2015.

NOTE 6 - CONTINGENCIES:

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

NOTE 7 - SUBSEQUENT EVENTS:

We noted no subsequent events that required disclosure at December 31, 2015.